

BAY COUNTY RETIREMENT BOARD OF TRUSTEES AGENDA
TUESDAY, DECEMBER 13, 2011 @ 1:30 P.M.
COMMISSIONERS CHAMBERS
515 CENTER AVENUE - 4TH FLOOR
BAY CITY, MI 48708

PAGE	I.	CALL TO ORDER
	II.	ROLL CALL
	III.	MINUTES
1 - 7	A.	NOVEMBER 8, 2011 REGULAR MEETING
8	B.	OCTOBER 11, 2011 AMENDED MOTION GRID
	C.	CORPORATION COUNSEL - MINUTES TO BE PROVIDED
	1.	CLOSED SESSION - OCTOBER 11, 2011
	2.	CLOSED SESSION - NOVEMBER 8, 2011
	IV.	PUBLIC INPUT
	V.	PETITIONS & COMMUNICATIONS
9 - 12	A.	PORTFOLIO VALUE 1/1/10 THROUGH 12/7/11
	B.	INTEGRITY - MID CAP VALUE
	1.	ADAM FRIEDMAN AND ANDREA LEISTRA
	C.	MONEY MANAGERS ON WATCH - EFFECTIVE DATE
13 - 15	1.	DENVER INVESTMENTS - 12/15//2009 PORTFOLIO ENDING 10/31/11
16 - 17	2.	MARVIN & PALMER - 6/1/2010 PORTFOLIO ENDING ENDING 10/31/11
18	3.	WENTWORTH HAUSER & VIOLICH - 9/14/10 PORTFOLIO ENDING 11/30/11
	D.	MONEY MANAGER REPORTS
19 - 33	1.	BAIRD ADVISORS ENDING 9/30/11
	2.	CORNERSTONE - ENDING 10/31/11
	3.	EAGLE ASSET MGMT - ENDING 10/31/11
	4.	HOTCHKIS & WILEY - ENDING 10/31/11
	5.	MACKAYSHIELDS - ENDING 10/31 /11
	E.	CONVERGEX GROUP
34 - 35	1.	PLAN SUMMARY ENDING 10/31/11
	F.	NORTHERN TRUST
36 - 40	1.	SUMMARY EARNINGS 10/31/11
	G.	REFUNDS/RETIREMENTS
41	1.	NOVEMBER 2011

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- H. PURCHASE OF PREVIOUS SERVICE CREDIT
 - 42 - 43
 - 1. MARY JO BRAMAN
 - I. ESTABLISH INTEREST FACTOR FOR EMPLOYEE CONTRIBUTIONS - 1/1/12 (RECOMMEND 4%)
 - 44
 - J. RENEWAL OF CONTRACT WITH BECKER BURKE FOR CONSULTING SERVICES OF RICHARD POTTER IN THE AMOUNT OF \$125,000 FOR ONE YEAR. (FEE FOR 2011 WAS \$125,000)
 - K. NOTICE OF PUBLIC MEETINGS
 - 45
 - 1. PROPOSED 2012 MEETING DATES (APPROVAL NEEDED)
 - L. GABRIEL ROEDER SMITH & COMPANY
 - 46 - 47
 - 1. CHANGE IN PERSONNEL
 - M. INVESTMENT POLICY
 - 48 - 60
 - 1. APPROVAL OF AMENDMENTS
- VI. ANNOUNCEMENTS
- A. NEXT REGULAR MEETING - TUESDAY, JANUARY 10, 2012 @ 1:30 P.M. - **COMMISSIONERS CHAMBERS, 515 CENTER AVENUE - 4TH FLOOR, BAY CITY, MI 48708**
- VII. UNFINISHED BUSINESS
- A. MONEY MANAGER PRESENTATION SCHEDULE
 - 61
 - 1. CONSIDER SCHEDULING FOUR MONEY MANAGERS IN ONE DAY FOR THE 2012 SCHEDULE
- VIII. NEW BUSINESS
- IX. MISCELLANEOUS BUSINESS
- X. ADJOURNMENT

The meeting, held in the Bay County Commission Chambers, 4th Floor, Bay County Building, 515 Center Avenue, Bay City, Michigan, was called to order by Chairman, Steve Gray at 1:31 P.M. Roll call was taken. All trustees are present, except Mr. Coonan.

1. Moved, supported and carried to approve the minutes as presented from the regular meeting on October 11, 2011.

Discussion: The Summary Grid of Motions contradicted the roll call of Motion 5, indicating that Mr. Gray voted "Yes, when he actually voted "No" on Motion 5. An Amended Summary Grid of the Motions will be prepared and submitted.

2. Moved, supported and carried to approve the minutes as presented from the Actuary meeting of October 11, 2011.

Mr. Gray called for public input, seeing as there is none, he moved on to petitions and communications:

Present today from Wentworth Hauser Violich are Jeff Coburn and Reiner Triltsch. They manage a Large Cap Core portfolio. They provided a copy their report to all Trustees.

Mr. Coburn reviewed the portfolio performance. The first half of the year they were trailing the benchmark by over 100 basis points. By July they were ahead of the benchmark, and also at one point in August. However, in September there was almost a mini panic with concerns over Europe and the slowing economy in the United States, and they significantly underperformed the benchmark in September.

He discussed their ranking compared to peers, and their performance for October. They are not making excuses and take responsibility for the individual holdings and the performance over time in the portfolio.

Mr. Triltsch discussed the concerns about the economy and the mini panic in September. He gave an overview of the company which was founded in 1937. Total staff number eighty-one employees, with twenty-seven investment professionals. Assets under management as of September 30, 2011 totaled \$12.6 billion. He explained their investment philosophy, the Large Cap Core Equity Team and their years of experience, their investment process, stock selection process, sell discipline, and risk controls.

He stated the markets are volatile at this time and they see this from quarter to quarter and from one month to the next. They feel the environment from here on forward is relatively benign and pro growth. Absent any crisis in terms of geo politics or national disasters, they are very confident that the returns in the future will be very good.

There was a short question and answer period after which the representatives concluded their presentation and departed.

3. Moved, supported and carried to receive the report from Wentworth Hauser Violich.

Also present today are the Board's consultants, Rick Potter and Jeff Black, from Becker, Burke Associates. They present their third quarter report ending September 30, 2011. They provide a full report and a summary report to all Trustees. The Total Plan for the September quarter was down 14%. S&P 500 was (13.9%), the International Index (EAFE) was (19.0%). Real Estate was (15.3%). The one positive area in the quarter were Bonds at 3.8%. Looking at performance of the equity managers, they were across the board, poor. It was a tough quarter for everybody. On a one year basis, Total Plan ending September 30, 2011, was 0.1% positive. In Domestic Equity the S&P 500 was (1.4%), and only two managers outperformed the S&P, those being Columbia and Eagle. International markets were lower given the international problems. Both of the international managers stood up fairly well relative to their market opportunities. In Fixed Income, the aggregate index for the year was 5.3%, our overall result was 4.1%. We saw the government bond sector of the market doing better than the corporate bond sector of the market.

He then moved to the larger report and discussed the highlights of the quarterly report. Regarding the growth of the dollars in the Fund, he stated that benefit payments have exceeded contributions.

Regarding Total Fund performance by style and where the managers ranked, Marvin & Palmer and Wentworth, Hauser & Violich, continue to rank at the bottom. Mr. Potter recommended replacing Marvin & Palmer, but recommended continuing Wentworth, Hauser & Violich on "Watch" status. Some comments and discussion at this point about Wentworth, Hauser and their performance relative to investment policy. Mr. Potter referred to page 24 which indicates the performance relative to investment manager style on a year to year basis. There was much discussion on how to read and interpret the numbers on a short term basis as opposed to long term basis and what criteria is looked at before deciding to terminate a manager.

4. Moved, supported and carried to receive the third quarter report from Becker, Burke Associates.
5. Moved, supported and carried to receive the Portfolio Value report 1/1/10 through 11/2/11. Value today is \$230 million.

Chairman requests that Item P on the Agenda, Closed Session, regarding disability retirement issue from last month, be addressed at this point.

6. Moved, supported and carried to discuss Item P of the agenda at this point in time.

Corporation Counsel, Martha Fitzhugh, is present and advises that we will need a roll call motion when we come to the moment to go into closed session. Corporation Counsel recommends that someone make a motion to go into closed session as provided in MCL 15.268 and the purpose relevant to consider

material exempt from discussion or disclosure by State or Federal Statute. Here, the Statute in question is the Freedom of Information Act, 15.243 because she will be handing out a written opinion of legal counsel for review and discussion.

7. Moved, supported and carried to have the Board go into closed session.

Roll Call:

Mr. Brzezinski - yes
Ms. Carpenter - yes
Mr. Coonan - excused
Mr. Deaton - yes
Mr. Gray - yes
Ms. Peltier - yes
Mr. Pett - yes
Mr. Ryder - yes
Mr. Starkweather - yes

At 2:55 p.m. the Board goes into closed session. **NOTE:** Per directive from Corporation Counsel, the closed session was not electronically recorded. Corporation Counsel is to provide minutes to the Board at a later date.

Back on the record at 3:25 p.m.

8. Moved, supported and carried to end the closed session.

9. Moved, supported and carried to return to regular order of business.

10. Moved, supported and carried to receive the reports from the money managers on watch: Denver Investments, Marvin & Palmer, and Wentworth Hauser & Violich, ending 9/30/2011.

11. Moved, supported and carried to terminate Marvin & Palmer.

Discussion: Marvin and Palmer will not be officially terminated until a replacement has been found. The Board authorizes Becker, Burke to start a manager search.

12. Moved, supported and carried to receive the remaining money manager reports ending 9/30/11 from Columbia, Cornerstone, Eagle Asset, Hotchkis & Wiley, Integrity, Loomis & Sayles, MacKay Shields, and Schroders.

13. Moved, supported and carried to approve the request from Loomis Sayles to change their portfolio benchmark.

14. Moved, supported and carried to receive the Plan Summary from BNY ConvergeEx Group ending 9/30/11.

15. Moved, supported and carried to receive the Northern Trust Summary Earnings report ending 9/30/11.

16. Moved, supported and carried to receive the Refunds and Retirements report for 10/31/11.

17. Moved, supported and carried to receive correspondence from Integrity Asset announcing the resignation of Matt Bevin as CEO.
18. Moved, supported and carried to receive correspondence to MacKay Shields and Hotchkis & Wiley regarding re-balancing of assets.
19. Moved, supported and carried to receive resolution from Department Water and Sewer authorizing notification of retirement of Department Water and Sewer employees.
20. Moved, supported and carried to receive resolution from the Road Commission authorizing notification of retirement of Road Commission employees.
21. Moved, supported and carried to approve Robert C. Lee's request to purchase previous service credit.
22. Moved, supported and carried to approve Thomas Dewey's request to purchase military service credit.

Announcements:

The next regular meeting is scheduled for Tuesday, December 13, 2011 at 1:30 P.M., Board of Commissioners Chambers, 4th Floor.

Unfinished Business:

- A. Money Manager Presentation Schedule for 2012

23. Moved, supported and carried to defer this issue to the December meeting.

New Business:

- A. Disability Retirement

Chairman Gray states that he doesn't feel they did anything wrong with the issue presented today, but he is concerned about the process. He feels we must guard the funds, but we also don't want to deny someone what they may deserve. The Retirement Administrator provided documentation to Chairman Gray regarding our disability retirement procedures. Chairman Gray contacted the MAPERS attorney, Michael Vanoverbeke. In 2005 an effort was made to review, revise, and standardize the process of administration. The Chairman feels the Disability Retirement Protocol/Procedures need to be reviewed, and he requested authorization from the Board to have a representative from Mr. Vanoverbeke's firm come in and present to the Board what our policy should look like.

24. Moved, supported and carried to approve a presentation from Michael Vanoverbeke's law firm regarding disability retirement procedures.

Miscellaneous Business:

Trustee Deaton advised that he will be seeking re-election to the Board of Trustees.

Adjournment:

25. Moved, supported and carried to adjourn the meeting.

26. Moved, supported and carried to excuse Trustee Coonan.

Meeting adjourned at 3:38 p.m.

Respectfully submitted,

Crystal Hebert

Crystal Hebert
Finance Officer/Secretary

Transcribed by: Naomi Wallace

MEETING OF THE **BCERS** BOARD OF TRUSTEES COMMITTEE
November 8 , 2011

PAGE 1 OF 2

IN THE BOARD OF COMMISSIONER’S CHAMBERS, LOCATED AT 515 CENTER AVENUE, 4TH FLOOR,
BAY CITY, MI 48708

MEETING CALLED TO ORDER BY: CHAIR STEVE GRAY AT 1:33 P.M.

OTHER PRESENT: RICK POTTER, JEFF BLACK, DANEAN WRIGHT, MARTY FITZHUGH (2:15 PM)
DR. HERRICK (2:30 PM), TIM QUINN (2:40 PM)

TRUSTEE	1	2	3	4	5	6	7	8	9	10
BRZEZINSKI	Y	Y	M	Y	M	Y	Y	Y	Y	Y
CARPENTER	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
COONAN	E	E	E	E	E	E	E	E	E	E
DEATON	Y	Y	S	Y	Y	S - Y	Y	M	S	S
GRAY	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
PELTIER	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
PETT	Y	Y	Y	S	Y	Y	S - Y	Y	Y	Y
RYDER	M	M	Y	M	S	M	Y	Y	Y	Y
STARKWEATHER	S	S	Y	Y	Y	Y	M - Y	S	M	M

TRUSTEE	11	12	13	14	15	16	17	18	19	20
BRZEZINSKI	S	Y	Y	Y	Y	S	Y	Y	Y	Y
CARPENTER	Y	Y	Y	Y	Y	Y	S	Y	S	Y
COONAN	E	E	E	E	E	E	E	E	E	E
DEATON	Y	M	Y	S	S	M	Y	S	M	M
GRAY	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
PELTIER	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
PETT	Y	S	S	M	Y	Y	Y	Y	Y	Y
RYDER	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
STARKWEATHER	M	Y	M	Y	M	Y	M	M	Y	S

CODE: M - MOVED; S - SUPPORTED; Y-YEA; N-NAY; A-ABSENT; E-EXCUSED

MEETING OF THE **BCERS** BOARD OF TRUSTEES COMMITTEE
November 8 , 2011

PAGE 2 OF 2

IN THE BOARD OF COMMISSIONER’S CHAMBERS, LOCATED AT 515 CENTER AVENUE, 4TH FLOOR,
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MEETING CALLED TO ORDER BY: CHAIR STEVE GRAY AT 1:33 P.M.

OTHER PRESENT: RICK POTTER, JEFF BLACK, DANEAN WRIGHT, MARTY FITZHUGH (2:15 PM)
DR. HERRICK (2:30 PM), TIM QUINN (2:40 PM)

TRUSTEE	21	22	23	24	25	26				
BRZEZINSKI	Y	Y	M	Y	S	Y				
CARPENTER	Y	Y	Y	Y	Y	Y				
COONAN	E	E	E	E	E	Y				
DEATON	Y	M	Y	Y	M	Y				
GRAY	Y	Y	Y	Y	Y	Y				
PELTIER	Y	Y	Y	M	Y	Y				
PETT	Y	Y	Y	S	Y	Y				
RYDER	M	Y	Y	Y	Y	S				
STARKWEATHER	S	S	S	Y	Y	M				

CODE: M - MOVED; S - SUPPORTED; Y-YEA; N-NAY; A-ABSENT; E-EXCUSED

MEETING OF THE **BCERS** BOARD OF TRUSTEES COMMITTEE
OCTOBER 11, 2011

AMENDED

IN THE BOARD OF COMMISSIONER’S CHAMBERS, LOCATED AT 515 CENTER AVENUE, 4TH FLOOR,
BAY CITY, MI 48708

MEETING CALLED TO ORDER BY: CHAIR STEVE GRAY AT 1:32 P.M.

OTHER PRESENT: RICK POTTER, JEFF BLACK, DANEAN WRIGHT, CRYSTAL HEBERT, MARTY FITZHUGH,
RICHARD ROSEN, ALAN PUKLIN, KERRY WALCZAK.

TRUSTEE	1	2	3	4	5	6	7	8	9	10
BRZEZINSKI	S	Y	Y	Y	Y	Y	Y	Y	Y	Y
CARPENTER	E	E	E	E	E	E	E	E	E	E
COONAN	M	Y	M - Y	S	N	M	M	Y	S	Y
DEATON	Y	S	Y	Y	Y	Y	S	M	Y	Y
GRAY	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
PELTIER	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
PETT	Y	M	Y	Y	Y	S	Y	S	Y	M
RYDER	Y	Y	S - Y	M	M - Y	Y	Y	Y	M	S
STARKWEATHER	Y	Y	Y	Y	S - Y	Y	Y	Y	Y	Y

TRUSTEE	11	12	13	14	15	16	17	18	19	20
BRZEZINSKI	Y	Y	Y	Y	M					
CARPENTER	E	E	E	E	E					
COONAN	S	Y	Y	Y	Y					
DEATON	Y	S	S	S	Y					
GRAY	Y	Y	Y	Y	Y					
PELTIER	Y	Y	Y	Y	Y					
PETT	Y	M	Y	Y	Y					
RYDER	M	Y	M	M	S					
STARKWEATHER	Y	Y	Y	Y	Y					

CODE: M - MOVED; S - SUPPORTED; Y-YEA; N-NAY; A-ABSENT; E-EXCUSED

◆Mgr Mix w/ Accruals

Account Name/ Account Number	Cash/ % of account	Short Term/ % of account	Equity/ % of account	Fixed/ % of account	R. E. and Other/ % of account	Pendings/ % of account	Total market value/ % of consolidation
*BAYCO - COLUMBIA MANAGEMENT							
2608684	0.00	34,428.04	24,507,327.70	0.00	0.00	0.00	24,541,755.74
	0.00%	0.14%	99.86%	0.00%	0.00%	0.00%	10.80%
*BAYCO - BAIRD							
2618668	0.00	1,080,603.28	0.00	20,721,513.57	0.00	0.00	21,812,116.85
	0.00%	5.00%	0.00%	95.00%	0.00%	0.00%	9.59%
*BAYCO - SCHRODERS							
2618669	0.00	217.18	8,459,105.95	0.00	0.00	0.00	8,459,323.13
	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	3.72%
*BAYCO - MARVIN & PALMER							
2620611	0.00	856,776.00	22,983,462.95	0.00	0.00	0.00	23,840,240.95
	0.00%	3.59%	96.41%	0.00%	0.00%	0.00%	10.49%
*BAYCO - MACKAY SHIELDS							
2622480	0.00	1,126,904.13	2,342,636.97	15,338,622.25	0.00	0.00	18,808,166.35
	0.00%	5.99%	12.46%	81.55%	0.00%	0.00%	8.27%
*BAYCO - HOTCHKIS & WILEY							
2622536	0.00	255,328.89	6,923,635.94	0.00	0.00	-5,710.58	8,173,254.25
	0.00%	2.78%	97.28%	0.00%	0.00%	-0.06%	4.04%
*BAYCO - WENTWORTH							
2624483	0.00	47,142.73	27,152,695.50	0.00	0.00	0.00	27,199,842.23
	0.00%	0.17%	99.83%	0.00%	0.00%	0.00%	11.96%
*BAYCO -CASH							
2639953	0.00	915,813.03	0.00	0.00	0.00	0.00	915,813.03
	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.40%
*BAYCO - DENVER INV ADV							
2639956	0.00	292,294.06	18,496,863.50	0.00	0.00	-66,140.35	18,723,017.23
	0.00%	1.56%	98.79%	0.00%	0.00%	-0.35%	8.24%
*BAYCO - LOOMIS SAYLES							
2641401	0.00	1,436,554.16	0.00	25,576,745.27	0.00	-74,968.00	26,940,331.43
	0.00%	5.33%	0.00%	94.95%	0.00%	-0.28%	11.85%
*BAYCO - INTEGRITY							
2653308	0.00	708,285.22	16,982,471.22	0.00	0.00	-26,089.43	17,664,687.01
	0.00%	4.01%	96.14%	0.00%	0.00%	-0.15%	7.77%
*BAYCO - CORNERSTONE REALES-SL							
2663286	0.00	92,110.66	7,893,484.36	0.00	0.00	36,128.86	8,021,723.88
	0.00%	1.15%	98.40%	0.00%	0.00%	0.45%	3.53%
*BAYCO - EAGLE ASSET							
2695063	0.00	185,089.74	8,442,275.72	0.00	0.00	-37,998.69	8,599,376.77
	0.00%	2.27%	98.17%	0.00%	0.00%	-0.44%	3.78%
BAYCO- BARINGS							
BYC03	264,826.57	0.00	12,330,335.82	0.00	43,261.11	0.00	12,638,423.50
	2.10%	0.00%	97.56%	0.00%	0.34%	0.00%	5.56%

◆ Mgr Mix w/ Accruals

Account Name/ Account Number	Cash/ % of account	Short Term/ % of account	Equity/ % of account	Fixed/ % of account	R.E. and Other/ % of account	Pendings/ % of account	Total market value/ % of consolidation
Total for consolidation	284,826.57	7,051,559.14	158,514,302.63	61,638,881.09	43,261.11	-174,758.19	227,338,072.35
% for consolidation	0.12%	3.10%	69.73%	27.11%	0.02%	-0.08%	100.00%

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PORTFOLIO VALUE

2010	BAIRD	BARINGS	BATTERYMARCH	CORNERSTONE	DENVER	EAGLE	HOTCHKISS & WILEY	INVESCO	LOOMIS SAYLES	MACKAY SHIELDS	MARVIN PALMER	INTEGRITY	SCHRODER	COLUMBIA	WENTWORTH	CASH	TOTAL
JAN	20,941,800.46	11,517,174.70	7,138,842.20	5,139,221.13	14,135,705.71	0.00	8,504,163.11	84,688.78	25,794,489.48	18,129,276.35	20,738,711.95	13,735,034.07	7,815,979.82	20,120,927.06	24,178,102.21	2,199,418.81	200,163,136.84
FEB	20,975,025.76	11,542,165.92	7,452,085.43	5,446,857.61	15,047,046.81	0.00	9,056,364.71	61,762.78	25,968,541.18	18,438,126.22	21,629,948.33	14,355,393.21	7,747,987.07	21,126,452.08	25,222,849.42	1,523,868.39	205,696,473.89
MARCH	20,980,877.88	12,179,926.86	8,002,863.13	5,991,787.18	16,022,931.87	0.00	10,087,525.97	60,014.63	26,100,468.49	18,874,992.76	22,405,811.99	15,550,810.14	8,238,893.80	22,228,829.14	26,222,647.54	3,289,065.43	215,216,346.81
APRIL	21,160,647.80	12,016,986.29	8,342,301.57	6,423,631.84	16,577,168.09	0.00	10,766,750.38	58,877.03	26,615,998.06	19,167,022.67	22,494,481.34	16,264,920.75	8,308,813.65	22,564,690.25	25,864,974.60	2,812,406.69	218,430,280.01
MAY	21,436,462.68	11,047,220.44	7,862,103.79	6,092,224.37	16,574,384.31	0.00	10,200,726.13	55,929.30	26,336,148.81	18,425,672.47	20,970,886.27	14,991,127.09	7,371,618.23	20,785,803.34	23,653,575.26	2,228,844.46	206,032,601.85
JUNE	21,698,100.75	11,107,433.48	7,384,246.85	5,763,080.50	14,600,551.63	0.00	9,279,300.83	58,715.00	25,893,276.80	17,996,639.28	19,856,137.62	13,893,860.87	7,413,132.67	19,394,682.88	22,149,359.42	1,485,274.76	197,933,793.44
JULY	20,799,211.32	11,957,064.09	7,831,183.36	6,846,816.13	15,671,404.63	0.00	10,392,787.38	0.00	25,527,385.21	18,431,666.29	20,332,324.01	14,906,494.26	8,028,920.52	20,769,474.90	23,972,615.43	2,785,298.91	208,242,576.44
AUG	21,077,527.97	11,752,483.23	7,153,533.75	6,748,275.07	15,056,740.48	0.00	9,478,620.70	0.00	25,860,864.86	18,237,834.97	19,707,511.65	14,095,542.78	7,617,798.24	19,716,256.51	22,683,640.20	2,433,150.55	201,825,000.96
SEPT	21,042,740.36	12,761,997.19	46.03	7,046,630.49	16,947,384.30	8,089,377.51	10,700,121.28	0.00	26,379,286.09	19,152,175.83	21,942,095.33	15,637,000.80	8,789,738.40	21,445,768.58	25,136,628.73	1,581,988.78	216,545,989.70
OCT	20,584,633.66	13,112,421.26	0.00	7,348,148.26	17,723,851.16	8,420,876.28	11,042,108.61	0.00	25,575,645.18	19,027,548.57	22,813,022.32	16,297,208.60	9,102,490.35	22,266,742.42	26,298,057.29	2,865,333.43	222,460,987.38
NOV	20,548,167.72	12,491,970.94	0.00	7,220,322.23	18,480,700.25	8,650,187.71	11,677,827.77	0.00	25,276,576.73	19,102,632.05	23,415,804.52	16,566,724.87	8,647,124.39	22,331,135.90	26,756,340.07	2,724,855.78	224,595,379.93
DEC	20,311,726.61	13,406,367.64	0.00	7,601,110.84	19,443,479.71	9,511,901.34	13,193,408.82	0.00	25,062,142.88	19,815,351.61	24,782,428.82	17,907,044.51	9,763,327.77	24,088,128.28	28,672,348.65	1,594,377.47	235,343,144.55
2011	BAIRD	BARINGS	BATTERYMARCH	CORNERSTONE	DENVER	EAGLE	HOTCHKISS & WILEY	INVESCO	LOOMIS SAYLES	MACKAY SHIELDS	MARVIN PALMER	INTEGRITY	SCHRODER	COLUMBIA	WENTWORTH	CASH	TOTAL
JAN	20,282,960.21	13,469,271.01	0.00	7,856,559.51	19,762,481.35	9,645,338.48	12,667,242.55	0.00	25,230,006.97	20,108,917.03	24,994,751.81	18,109,791.23	9,925,904.74	24,607,913.78	28,277,844.81	2,673,640.73	237,615,624.01
FEB	20,333,087.68	13,922,984.92	0.00	8,264,645.83	20,614,690.78	10,044,714.40	13,401,835.32	0.00	25,465,286.67	20,565,524.39	25,880,455.91	18,791,456.29	10,024,645.75	26,272,034.16	29,133,877.98	1,842,702.27	244,557,842.36
MARCH	20,338,046.29	13,791,629.18	0.00	8,160,328.04	21,041,574.54	10,417,776.60	13,710,768.82	0.00	25,441,342.42	20,589,176.19	26,017,933.98	19,175,661.26	10,133,968.96	26,547,672.38	29,369,026.18	1,460,447.93	246,195,362.77
APRIL	20,531,160.45	14,759,861.53	0.00	8,672,226.56	21,861,559.61	10,821,594.23	13,742,747.04	0.00	25,888,405.68	20,689,745.65	26,527,300.60	19,653,573.42	10,682,992.63	26,977,768.13	29,763,582.01	750,266.51	251,542,804.05
MAY	20,801,325.34	14,371,003.44	0.00	8,781,889.42	21,622,019.01	10,909,579.86	12,989,460.66	0.00	26,326,540.44	20,709,828.84	25,685,035.95	19,556,119.61	10,540,028.79	26,121,450.00	29,107,106.98	2,172,230.00	249,693,618.25
JUNE	20,746,853.61	14,093,143.90	0.00	8,503,482.37	21,251,465.03	10,892,723.30	12,859,047.57	0.00	26,042,704.52	20,546,880.50	25,814,849.82	19,123,828.91	10,372,670.61	25,801,680.47	28,739,352.00	1,407,744.35	245,996,426.66
JULY	21,030,598.96	14,384,481.05	0.00	8,662,958.36	20,366,711.86	9,323,347.21	11,469,557.51	0.00	26,712,989.79	19,537,488.25	23,807,045.25	16,868,962.09	9,162,680.99	24,588,472.00	28,469,107.66	2,705,007.78	242,281,963.28
AUG	21,509,686.73	13,465,576.09	0.00	8,115,763.25	18,275,359.08	8,531,450.27	10,286,657.96	0.00	26,712,989.79	19,537,488.25	23,807,045.25	16,868,962.09	9,162,680.99	22,966,123.98	26,870,298.95	1,927,477.25	227,837,579.93
SEPT	21,741,103.61	11,982,478.89	0.00	7,201,533.12	18,125,643.44	7,684,653.03	8,793,553.07	0.00	26,566,206.64	18,911,469.23	21,278,377.67	15,247,790.74	8,309,250.23	21,276,774.49	23,492,818.77	1,092,325.87	209,602,989.70
OCT	21,643,579.65	13,136,773.53	0.00	8,245,388.04	18,797,578.54	8,681,458.69	9,163,191.41	0.00	27,104,990.39	18,827,420.73	24,257,439.07	17,410,938.64	8,798,582.88	24,176,426.92	27,126,697.42	2,444,688.93	229,820,144.84
NOV	21,763,740.49	12,627,824.56	0.00	7,950,084.76	18,612,916.80	8,559,755.97	9,035,696.56	0.00	26,612,318.31	18,730,254.14	23,786,081.54	17,539,617.31	8,473,339.92	24,255,078.32	26,944,261.78	1,694,119.06	226,575,089.52
DEC																	0.00

2011	BAIRD	BARINGS	BATTERYMARCH	CORNERSTONE	DENVER	EAGLE	HOTCHKIS & WILEY	INVESCO	LOOMIS SAYLES	MACKAY SHIELDS	MARVIN PALMER	INTEGRITY	SCHRODER	COLUMBIA	WENTWORTH	CASH	TOTAL
1ST QTR	15,253.54	32,156.73		12,237.40	34,166.36	18,500.98	33,149.97		20,903.41	25,797.00	48,786.07	38,797.59	21,292.42	33,141.66	37,871.00		372,054.13
2ND QTR	15,560.14	33,890.18		12,755.06	34,513.77	19,214.11	32,671.16		21,275.35	25,771.00	48,701.83	40,242.00	22,197.63	31,946.75	37,232.00		375,970.98
3RD QTR	16,305.99	31,556.96		10,602.30	26,180.75	16,116.90	25,457.84		21,602.98		39,398.52	35,448.00	19,430.32	26,566.50	31,994.00		
4TH QTR																	
2009 Y-T	47,119.67		0.00	35,794.76	94,860.88		91,276.97	0.00	63,781.74	51,568.00	136,886.42	114,487.59	62,920.37	91,644.91	107,097.00	0.00	748,025.11

BAIRD	GOVERNMENTAL FIXED INCOME MANAGER
BARING	LARGE CAP GROWTH INTERNATIONAL EQUITY MANAGER
COLUMBIA	LARGE CAP DEEP VALUE MANAGER
CORNERSTONE	REAL ESTATE INVESTMENT TRUST MANAGER
DENVER	MID-CAP GROWTH MANAGER
EAGLE	SMALL-CAP GROWTH MANAGER
HOTCHKIS & WILEY	SMALL CAP VALUE MANAGER
INTEGRITY	MID-CAP VALUE MANAGER
LOOMIS SAYLES	CORPORATE BOND MANAGER
MACKAY SHIELDS	CONVERTIBLE BOND MANAGER
MARVIN PALMER	LARGE CAP GROWTH EQUITY MANAGER
SCHRODER	INTERNATIONAL SMALL/MID CAP EQUITY MANAGER
WENTWORTH	LARGE CAP CORE MANAGER

INVESTMENT MANAGER FEE SCHEDULES

BAIRD	.30% - FIRST \$25 MILLION .25% - NEXT \$25 MILLION .20% - NEXT 50 MILLION .15% - THEREAFTER
BARING	.95% -ON ASSETS UNDER MANAGEMENT
COLUMBIA	.40% - ABOVE \$100 MILLION .40% - NEXT \$60 MILLION
CORNERSTONE	.60% - OF THE FAIR MARKET VALUE OF ASSETS
DENVER	.65% - OF THE FAIR MARKET VALUE OF ASSETS
EAGLE	.85% - ON ASSETS UNDER MANAGEMENT
HOTCHKIS & WILEY	1.00% -ON ASSETS UNDER MANAGEMENT
INTEGRITY	.85% - FIRST \$15 MILLION .75% - NEXT \$25 MILLION
LOOMIS SAYLES	.35% - FIRST \$20 MILLION .25% - NEXT \$90 MILLION .20% - OVER \$100 MILLION
MACKAY SHIELDS	.50% - UP TO \$100 MILLION .40% - ABOVE \$100 MILLION
MARVIN PALMER	.75% - ON ALL ASSETS UNDER MANAGEMENT
SCHRODER	.75% - UP TO \$10 MILLION .50% - UP TO \$100 MILLION
WENTWORTH	.80%-FIRST \$2 MILLION .60%-NEXT \$8 MILLION .50%-NEXT \$10 MILLION .40%-NEXT \$10 MILLION .30%-OVER \$30 MILLION

12

PERFORMANCE COVER SHEET (STATEMENT OF CHANGES)

Denver Investments
375 - BAY COUNTY MI EMP RET SY
World

As of: October 31, 2011

Statement of Changes

	Current Month
Beginning Market Value	16,122,514
Net Additions/Withdrawals	(5)
Income Received	11,767
Change in Accrued Income	(8,966)
Change in Unrealized Gain/Loss	2,543,711
Realized Gain/Loss	128,547
Ending Market Value	18,797,568

Portfolio Composition

	Market Value	% of Total
Total Fund	18,797,568	100.00
Equity and Related	17,630,172	93.79
Cash and Equivalents	1,167,397	6.21

Performance Summary

	Calendar Year To		12 Months	3 Year	5 Year	Inception Annualized
	Quarter to Date	Date				
Total Fund	16.59	(3.31)	6.06	19.91	3.82	8.33
Equity and Related	18.20	(2.60)	7.18	21.54	4.50	8.51
Cash and Equivalents	0.00	0.09	0.11	0.30	1.97	3.46

Benchmark Indices

	Calendar Year To		12 Months	3 Year	5 Year	Inception Annualized
	Quarter to Date	Date				
Russell Midcap Growth W/Inc	13.48	0.33	10.08	19.96	3.46	6.69
S&P Midcap 400 W/Income	13.75	(1.06)	8.56	17.87	4.01	10.26
Nasdaq Composite	11.14	1.19	7.06	15.97	2.55	5.12
S&P 500 W/Inc	10.93	1.30	8.08	11.41	0.25	6.03
Russell Midcap W/Inc	13.01	(0.93)	7.84	17.82	2.26	8.76

*Inception Date: May 31, 1996

Returns greater than one year are annualized
Report printed on: 11/7/2011 @ 8:13 AM

PERFORMANCE COVER SHEET (STATEMENT OF CHANGES)

Denver Investments
375 - BAY COUNTY MI EMP RET SY

World

As of: October 31, 2011

Statement of Changes			
	Current Month	Current Quarter	Inception to Date
Beginning Market Value	16,122,514	20,366,720	19,441,728
Net Additions/Withdrawals	(5)	(5)	(126)
Income Received	11,767	30,352	138,167
Change in Accrued Income	(8,966)	(304)	(5,787)
Change in Unrealized Gain/Loss	2,543,711	(1,225,680)	(3,640,089)
Realized Gain/Loss	128,547	(373,516)	2,863,675
Ending Market Value	18,797,568	18,797,568	18,797,568

Portfolio Composition	
	% of Total
Total Fund	100.00
Equity and Related	93.79
Cash and Equivalents	6.21

Performance Summary			
	Current Month	Quarter to Date	Inception Annualized
Total Fund	16.59	16.59	8.33
Equity and Related	18.20	18.20	8.51
Cash and Equivalents	0.00	0.00	3.46

Benchmark Indices			
	Current Month	Quarter to Date	Inception Annualized
Russell Midcap Growth W/Inc	13.48	13.48	6.69
S&P Midcap 400 W/Income	13.75	13.75	10.26
Nasdaq Composite	11.14	11.14	5.12
S&P 500 W/Inc	10.93	10.93	6.03
Russell Midcap W/Inc	13.01	13.01	8.76

*Inception Date: May 31, 1996

APPRAISAL SUMMARY
375 - BAY COUNTY MI EMP RET SY
October 31, 2011

	Total		Total Market Value	Unrealized Gain/Loss	Indicated Annual Income	%PF	Current Yield	Yield To Worst
	Cost Value	Market Value						
Equity	16,444,367.75	17,628,438.00	1,184,070.25	0.00	124,499.75	93.78%	0.71	0.01
Cash	1,167,396.56	1,167,396.56						
Total Investments:	17,611,764.31	18,795,834.56	1,184,070.25		124,616.50	99.99%	0.66	
Accrued Income:		1,733.50				0.01%		
Total Account:	17,611,764.31	18,797,568.06	1,184,070.25		124,616.50	100.00%	0.66	



MARVIN & PALMER®
ASSOCIATES, INC.
GLOBAL EQUITY MANAGEMENT

November 15, 2011

Danean Wright
Retirement Accountant
Bay County Employees' Retirement System
Bay County Building
515 Center Avenue, Suite 706
Bay City, Michigan 48708-5128

Dear Danean:

Your portfolio gained 14.0% during October while the Russell 1000 Growth Index rose 11.0%.

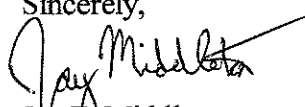
Global equity markets rallied sharply in October following September's decline. The back and forth between "risk-on" and "risk-off" continued, as investors focused on the outlook for Europe. Positive developments in the handling of the Greek debt issue led to the rally this month, but uncertainty in Europe continues. Data out of the U.S. and China was also generally positive this month.

The rally this month was broad-based with all sectors posting positive absolute returns. On a sector basis, the more cyclical areas rallied sharply led by the materials, energy, financials and industrials sectors. The more defensive areas such as telecoms, healthcare and consumer staples lagged.

We continue to be cautiously optimistic on the outlook for stocks. While the outlook for Europe is uncertain, we believe that growth will be strong in Asia and moderate in the Americas. That said, we think it is crucial that Europe come to some resolution on their debt crisis, and we believe they will. From a long-term perspective, the sovereign debt crisis is forcing fiscal and monetary policy around the world towards more responsibility. This should lead to a lengthy period of better markets.

Your portfolio and performance since inception are attached for your interest.

Sincerely,


Jay F. Middleton
Portfolio Manager – Principal

JFM/jam

Attachment

PRINCIPALS

David F. Marvin
Stanley Palmer
Karen T. Buckley
Raymond J. Deschenes
Jon A. Stiklorius
Terry B. Mason
Jay F. Middleton
Todd D. Marvin
David L. Schaen
Christopher A. Luft
James W. Ryerson
Jonathan T. Friedman
Stephen D. Marvin
Douglas D. Sanna
Jennifer A. Mattes
Stephen J. Gannon
Gilbert Hahn
Thomas B. McAvoy
Lisa H. Capretto
Peter Crivelli
Lorraine H. Berends
Scott D. Palmer
C. Porter Schutt
S. Richard Siple
Mary L. Moghioni
Brian D. Marvin
Joyce A. Nolan
Ezekiel R. Maki
George R. B. Trimble, Jr.
Lars R. Harrison
Bobbie V. Davies
Jane M. Morley
Adam T. Taylor
Shuoqi (Joyce) Li

ADVISORY BOARD

Irving S. Shapiro

In Memoriam 1986-2001

The Rt. Hon. Lord Moore, PC.
Prof. Dr.-Ing. Klaus G. Lederer
Dr. Pedro Aspe
Alan D. Schwartz
Madelyn Smith
The Hon. Sam Nunn
The Hon. James A. Kelly
James J. McNulty

PERFORMANCE SUMMARY

Bay County Employees' Retirement System

Portfolio Value on October 31, 2011: 24,257,440

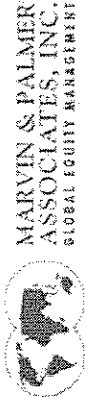
Benchmark Russell 1000 Growth Index with Gross Dividends
Reporting Currency US Dollars
Inception Date May 19, 2006

Period	RETURN %			Value Added
	M&P Gross	M&P Net	Benchmark	
October 2011	14.00	14.00	10.97	3.02
Year to Date	-0.23	-0.79	2.98	-3.21
2010	20.23	19.32	16.71	3.52
2009	18.10	17.23	37.21	-19.11
2008	-45.96	-46.37	-38.44	-7.52
2007	25.87	24.94	11.81	14.07
Inception Year	4.61	4.13	10.02	-5.41

Period	ANNUALIZED RETURN %			Value Added
	M&P Gross	M&P Net	Benchmark	
1 Year	8.37	7.56	9.92	-1.54
2 Years	14.66	13.79	14.68	-0.03
3 Years	9.14	8.32	15.61	-6.47
5 Years	-0.69	-1.43	3.04	-3.73
Since Inception	0.15	-0.59	4.16	-4.01

Note 1: Performance is compared to the Russell 1000 Growth Index for reporting purposes. The actual benchmark is the Russell 1000 Growth Index plus 1%.

Note 2: The Russell 1000 Growth® Index is a trademark/service mark of the Russell Company. Russell® is a trademark of the Russell Company.



WENTWORTH, HAUSER AND VIOLICH
INVESTMENT COUNSEL

December 2, 2011

Ms. Danean Wright
Retirement Accountant
Bay County Employee's Retirement System
515 Center Avenue
Suite 706
Bay City, MI 48708-5128

RE: Bay County Employees' Retirement System

Dear Board of Trustees:

Please find the preliminary investment returns for the period ending November in the table below.

Time Weighted Total Return
Gross of Fees

	One Month	Year- To-Date	One Year	Three Year Annualized	Five Year Annualized	Since Inception* Annualized
Bay County Employees' Retirement System	-0.67%	-1.63%	6.04%	15.86%	1.08%	3.83%
S&P 500	-0.22%	1.08%	7.83%	14.13%	-0.18%	3.46%

*Since Inception Date 03/18/04

As always, we stand ready to answer any questions or comments you may have regarding the portfolios performance. Thank you for your continued confidence in Wentworth, Hauser & Violich and the Large Cap Core Investment Team.

Best regards,



Jeffrey C. Coburn, CFA

Cc: Richard Potter

301 Battery Street | Suite 400 | San Francisco, CA 94111-3203

Tel 800.204.2650 | Fax 415.288.6153 | www.whv.com

Charles B. Groeschell
Managing Director
Senior Portfolio Manager
Baird Advisors

October 28, 2011

Mr. Danean Wright
Bay County Employees' Retirement System
515 Center Avenue, Suite 701
Bay City, MI 48708-5128

Dear Danean:

Enclosed please find a summary review as of September 30, 2011 for the Bay County Employees' Retirement System Portfolio managed by Baird Advisors.

Market Review

Long Treasury yields fell by nearly 150 basis points during the 3rd quarter on heightened anxiety regarding the European debt crisis, the deficit reduction debate here in the US that culminated in a ratings downgrade, slower economic growth expectations and the Fed's explicit guidance of maintaining the zero interest rate policy to at least June, 2013 and Operation Twist. As a result, US Treasuries delivered an impressive 6.48% return in the quarter while other sectors experienced more modest results as yield spreads on non-Treasury sectors widened sharply. Please find attached a copy of our September Bond Market Comments which provide a more detailed review of the market.

Performance Update

The Bay County Employees' Retirement System Portfolio produced strong absolute returns in the 3rd quarter. Given the continued volatility in the market, we are pleased with the Portfolio's relative year-to-date performance and remain confident in the Portfolio's overall structure. With the significant yield advantage, we are optimistic regarding the Portfolio's future relative performance potential.

Please let us know if you have any questions as you review this information. Again, we sincerely appreciate the opportunity to serve as your fixed income investment manager.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles B. Groeschell".

Charles B. Groeschell

cc: Rick Potter - Becker, Burke Associates, Inc.

Bay County Employees' Retirement System
Fixed Income Portfolio
Gross Investment Performance

03/31/06 through 09/30/11

Year		Fixed Income Portfolio	Customized Benchmark
2006	Year-to-Date	5.04%	4.85%
2007		7.20%	7.78%
2008		9.13%	10.36%
2009		3.72%	1.79%
2010		5.63%	5.46%
2011	1st Quarter	0.13%	0.25%
	2nd Quarter	2.01%	2.25%
	3rd Quarter	4.80%	4.10%
	Year-to-Date	7.04%	6.70%
Total Return 03/31/06-09/30/11		44.10%	42.83%
Annualized Return		6.87%	6.69%

The performance is presented on a cumulative basis and does not reflect the deduction of investment advisory fees. Return would be reduced by advisory fee and other fees such as custodial expenses. The maximum fee found in Baird Advisors form ADV is 30 basis points. All returns are calculated on a time weighted, total return basis. The results shown should not be considered representative of future investment returns. The 50% Barclays Capital Government & 50% Barclays Capital MBS Index is an unmanaged portfolio of specific securities. The portfolio does not invest in all the securities traded in the index. Direct investment in the index is not available. Client should review all account statements provided by its custodian and compare those account statements to any account statement provided by Baird Advisors. Baird Advisors relies on securities valuations provided by client's custodian for purposes of performance reports.

Client should review all account statements provided by its custodian and compare those account statements to any account statement provided by Baird Advisors. Baird Advisors relies on security valuations provided by client's custodian for purposes of performance reports.

The Baird Advisors Brochure, which serves as a substitute for Form ADV Part II, is available upon request.

Bay County Employees' Retirement System
Fixed Income Portfolio
Net Investment Performance
03/31/06 through 09/30/11

Year		Fixed Income Portfolio	Customized Benchmark
2006	Year-to-Date	4.80%	4.85%
2007		6.89%	7.78%
2008		8.81%	10.36%
2009		3.41%	1.79%
2010		5.31%	5.46%
2011	1st Quarter	0.05%	0.25%
	2nd Quarter	1.94%	2.25%
	3rd Quarter	4.72%	4.10%
	Year-to-Date	6.80%	6.70%
Total Return 03/31/06-09/30/11		41.77%	42.83%
Annualized Return		6.55%	6.69%

The performance is presented on a cumulative basis. All returns are calculated on a time weighted, total return basis. The results shown should not be considered representative of future investment returns. The 50% Barclays Capital Government & 50% Barclays Capital MBS Index is an unmanaged portfolio of specific securities. The portfolio does not invest in all the securities traded in the index. Direct investment in the index is not available. Client should review all account statements provided by its custodian and compare those account statements to any account statement provided by Baird Advisors. Baird Advisors relies on securities valuations provided by client's custodian for purposes of performance reports.

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The Baird Advisors Brochure, which serves as a substitute for Form ADV Part II, is available upon request.

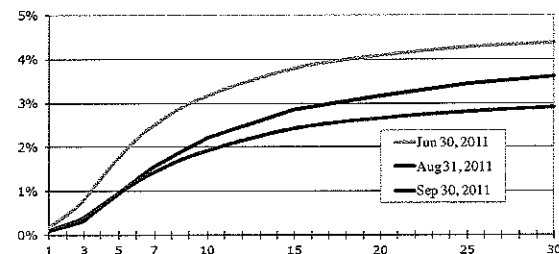
Baird Advisors
Fixed Income Market Comments
September 2011

Long Treasury Yields Plummet, Yield Curve Flattens

Growing anxiety regarding the European debt crisis, slower economic growth expectations and the Fed's formal announcement of *Operation Twist* helped push Treasury yields to historic lows during September. Long Treasury yields plunged by nearly 70 bps and the yield curve flattened sharply. For the 3rd quarter, the 30-year Treasury yield fell 146 bps to 2.91% with shorter yields falling by much more modest amounts. The difference between 2 and 30-year yields fell to 267 bps from 340 bps on August 31 and 391 bps on June 30 (see chart and table below).

Treasury Yields

Source: Bloomberg



Maturity	Jun 30, 2011	Aug 31, 2011	Sep 30, 2011	1 mo. Change	Q3 Change
1	0.18%	0.10%	0.10%	0.00	-0.08
2	0.46%	0.20%	0.24%	0.04	-0.22
3	0.80%	0.32%	0.40%	0.08	-0.40
5	1.76%	0.96%	0.95%	-0.01	-0.81
7	2.50%	1.56%	1.43%	-0.13	-1.07
10	3.16%	2.22%	1.92%	-0.30	-1.24
30	4.37%	3.60%	2.91%	-0.69	-1.46

Spreads Widen Further

Yield spreads on all non-Treasury sectors widened further in September with corporates (+30 bps, from 208 bps to 238 bps) and especially high yield (+99 bps, from 708 bps to 807 bps) seeing the largest increases. Financials (+53 bps) drove the widening in the corporate sector on concerns of *linkage* to Europe. The expansion of high yield spreads was more related to the unique challenges for highly levered companies in an extended period of very slow economic growth and possible recession. While there were fundamental reasons for the dramatic widening of spreads in the 3rd quarter, some of it was simply because other sectors could not keep pace with Treasuries, which were in a world of their own.

Option-Adjusted Spreads (in bps)

	12/31/2010	6/30/2011	8/31/2011	9/30/2011
U.S. Aggregate Index	56	54	80	90
U.S. Agency (non-mortgage) Sector	20	21	29	31
Mortgage and ABS Sectors				
US Agency Pass-Throughs	42	37	72	80
Asset-Backed Securities	82	81	76	77
CMBS	254	243	344	351
Credit Sectors				
U.S. Investment Grade	156	153	208	238
Industrial	134	135	169	190
Utility	147	143	173	192
Financial Institutions	191	187	279	332
U.S. High Yield	526	525	708	807

Source: Barclays Capital

Very Strong Quarter Overall

The flattening of the curve favored longer indices and sectors and while the widening of spreads made September a bit of a mixed bag, investment grade indices and sectors had a very strong quarter overall. Treasuries again had a big month (+1.75%) and a phenomenal quarter (+6.48%) with municipals (Sep +1.03%, Q3 +3.81%) also doing well on very light new issue supply. Despite wider spreads, corporates produced positive returns (Sep +0.26%, Q3 +2.85%) but CMBS fell into negative territory for the quarter (-0.86%). High yield fell hard, in line with equities in September (-3.27%) and 3rd quarter losses (-6.06%) more than erased strong gains from the first half of the year. TIPS gave back a touch in September (-0.24%) but still had a great quarter (+4.51%) and continue to lead all sectors (+10.59% YTD). Despite a very bumpy ride, the investment grade bond market has continued to produce impressive results so far in 2011. A summary of selected sector and index returns appears in the table below.

Total Returns of Selected Barclays Capital Indices and Subsectors

Index/Sector	September	3 rd Qtr	YTD
BC Aggregate Index	0.73%	3.82%	6.65%
BC Gov't/Credit Index	1.03%	4.74%	7.47%
BC Int. Gov't/Credit Index	-0.12%	2.39%	4.92%
BC 1-3 yr. Gov't/Credit Index	-0.20%	0.29%	1.34%
US Treasury Sector	1.75%	6.48%	8.84%
Gov't Agency Sector	0.17%	2.42%	4.36%
Corporate Sector	0.26%	2.85%	6.10%
CMBS Sector	0.01%	-0.86%	2.82%
MBS Sector	0.17%	2.36%	5.30%
ABS Sector	0.31%	2.42%	4.90%
High Yield Sector	-3.27%	-6.06%	-1.39%
Municipal Sector	1.03%	3.81%	8.40%
TIPS	-0.24%	4.51%	10.59%

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PERFORMANCE HISTORY
Bay County Employees' Retirement System

Time Period			Percent Return Per Period		FTSE/NAREIT Equity Index
			Gross	Portfolio Net	
9/30/2011	to	10/31/2011	14.49%	14.43%	14.40%
12/31/2010	to	10/31/2011	8.46%	7.92%	7.52%

ACCOUNT NAME : Bay County Employees' Retirement System
EAGLE ACCOUNT # : 05231100
BROKER ACCOUNT # :
OBJECTIVE : SmallCap Growth Equity
ACCOUNT EXECUTIVE : Institutional
PHONE () - :
AE # : BESTEXC

Bay County Employees' Retirement System
Frederick L. Dryzga, Chairperson
Bay County Building
515 Center Avenue
Bay City, MI 48708-5128

Bay County Employees' Retirement System
05231100/
SmallCap Growth Equity

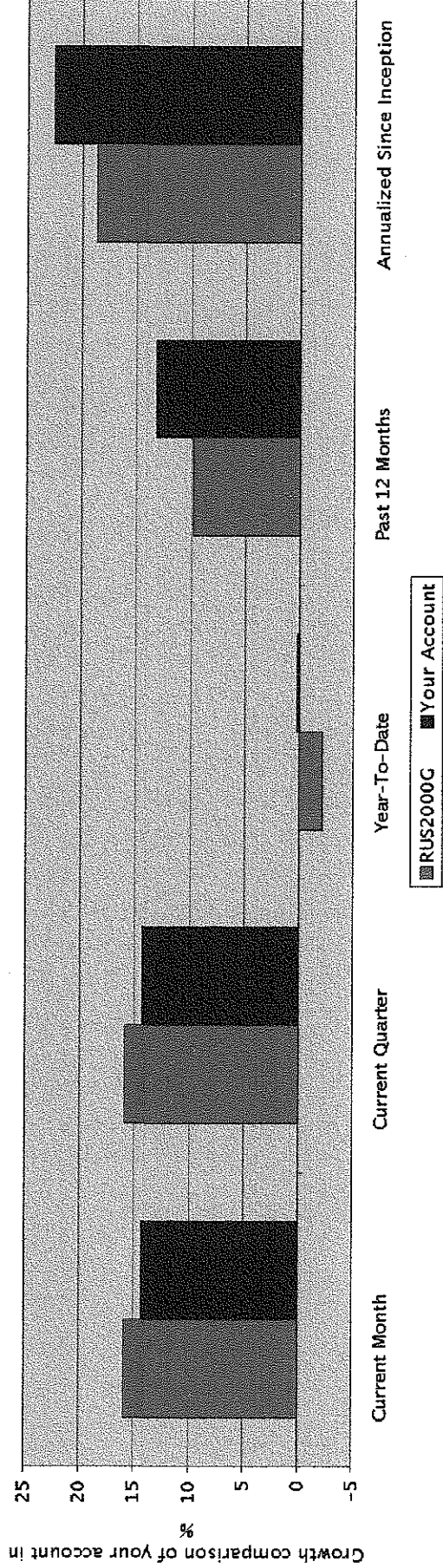
PORTFOLIO VALUATION AND STATEMENTS

CURRENT PERIOD STARTED ON: 10/01/2011
CURRENT QUARTER STARTED ON: 10/01/2011
YEAR-TO-DATE STARTED ON: 01/01/2011
INCEPTION DATE: 09/03/2010

AS OF 10/31/2011

ANALYSIS OF RATES OF RETURN

	CURRENT MONTH	CURRENT QUARTER	YEAR-TO-DATE	PAST 12 MONTHS	ANNUALIZED THREE-YEARS	ANNUALIZED FIVE-YEARS	ANNUALIZED SINCE INCEPTION
TOTAL MANAGED ASSETS	14.27%	14.27%	0.23%	13.22%	N/A	N/A	22.53%
Russell 2000 Growth Index	15.86%	15.86%	-2.17%	9.84%	N/A	N/A	18.59%



Bay County Employees' Retirement System
05231100/
SmallCap Growth Equity

PORTFOLIO VALUATION AND STATEMENTS

CURRENT PERIOD STARTED ON: 10/01/2011
CURRENT QUARTER STARTED ON: 10/01/2011
YEAR-TO-DATE STARTED ON: 01/01/2011
INCEPTION DATE: 09/03/2010

AS OF 10/31/2011

SUMMARY

CONTRIBUTIONS THRU 10/01/2011	\$6,520,181
DEPOSITS MADE DURING STATEMENT PERIOD	
SECURITIES	\$0
CASH	\$0
WITHDRAWALS MADE DURING STATEMENT PERIOD	
SECURITIES	\$0
CASH	\$0
TOTAL CONTRIBUTIONS THRU 10/31/2011	\$6,520,181
MARKET VALUE OF ACCOUNT AS OF 10/31/2011	\$8,680,826

We have provided this information regarding your account(s) based on sources we believe to be reliable and accurate. We encourage you to compare the account balances contained in this report to those balances reflected on the statements you receive directly from your account's custodian. Please contact us or the account custodian with any questions you may have. Also, please notify us promptly if you do not receive statements on all accounts from the custodian on at least a quarterly basis.

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

Small Cap Value

Total Market Value: \$9,161,947 (1.2% Cash)

Month Ended October 31, 2011

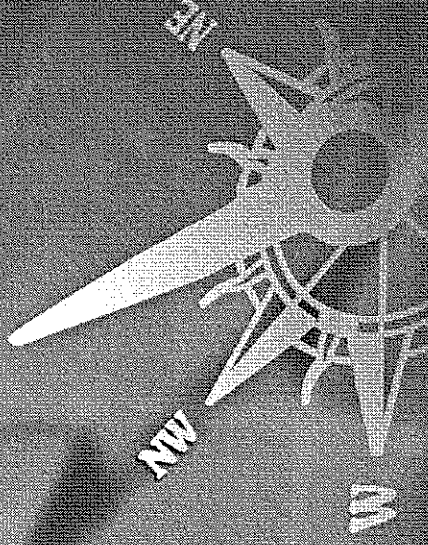
Performance Returns - Gross of Fees					Weighted Average Portfolio Characteristics			
	MTD	QTD	YTD	Since Incept.		Portfolio	Rus 2000 V	Rus 2000
Portfolio - Total Return	16.07 %	16.07 %	-9.28 %	5.46 %	Projected P / E Ratio (FY2)	9.5x	11.6x	12.9x
Portfolio - Equity Only	16.71	16.71	-9.25	5.23	Price / Cash Flow Ratio	4.2x	6.8x	8.3x
					Price / Book Ratio	1.0x	1.1x	1.6x
Russell 2000 Value Index	14.41	14.41	-6.77	4.98	Dividend Yield	1.1%	2.2%	1.5%
Russell 2000 Index	15.14	15.14	-4.46	5.26	Market Capitalization (mm)	\$1,453	\$1,046	\$1,205
S&P 500 Index	10.93	10.93	1.30	4.24	# of Holdings / 1-Yr Turnover	55 / 48%		
Commencement of portfolio: 12/1/03. Periods over one year are average annualized returns.								

Top and Bottom Five Contributors to Performance					Trading Data	
	End Wgt	Ttl Ret.	Contr.		Major Buy(Sell)	End Wgt
Stone Energy Corp.	3.39 %	49.85 %	1.30 %		*New buy/final sell	5.3 %
Con-Way Inc.	4.15	33.17	1.15			4.7
Hudson Highland Group	3.41	35.38	1.04			4.6
MI Developments Inc.	4.68	19.55	0.88			4.3
Huntington Ingalls Industries	4.35	21.25	0.78			4.2
National Western Life Ins. Co.	0.31 %	6.37 %	0.02 %	(Rent-A-Center Inc.)		4.1
Geo Group Inc.	0.50	-1.78	-0.01	(Westar Energy Inc.)		3.6
Corrections Corp. of America	0.61	-2.03	-0.01	(Heartland Payment Systems Inc.)		3.5
Lakes Entertainment Inc.	0.12	-13.22	-0.02	(MI Developments Inc.)		3.4
Furniture Brands Int'l Inc.	0.35	-7.28	-0.03			3.4
Performance Attribution					Top Ten Industries - Total Portfolio	
Portfolio	Avg Wgt	Equ. Ret.	Avg Wgt	Equ. Ret.		

Russell 2000 Value					Allocation	
	Avg Wgt	Equ. Ret.	Avg Wgt	Equ. Ret.	Sector	End Wgt
Industrials	28.26 %	21.96 %	14.61 %	17.44 %	0.45	1.14
Financials	28.67	18.45	36.20	13.19	0.12	1.39
Energy	5.25	43.22	4.84	21.85	0.05	0.94
Telecommunication Services	0.00	0.00	0.63	10.00	0.05	0.00
Consumer Staples	1.62	5.46	2.98	8.92	0.09	-0.07
Materials	2.41	10.90	4.77	15.77	-0.02	-0.11
Utilities	8.52	5.70	7.85	6.81	-0.03	-0.10
Health Care	4.26	6.12	5.26	12.48	0.03	-0.30
Consumer Discretionary	12.67	11.41	11.53	17.20	0.05	-0.72
Information Technology	8.33	6.35	11.32	16.14	0.04	-0.83
					0.84	1.35
						2.18

Data source: FactSet daily buy-and-hold, gross of fees. Returns calculated using this buy-and-hold methodology could differ from actual portfolio returns when there is a significant difference between the trade price and the closing price of any given security (e.g., IPOs, corporate transactions or closing price conventions). Russell Investment Group is the source and owner of the Russell Index data contained herein (and all trademarks related thereto), which may not be redistributed. The information herein is not approved by Russell. H&W and Russell sectors are based on the Global Industry Classification Standard by MSCI and Standard and Poor's.

MackKayShields



BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

Monthly Report
October 31, 2011

OCTOBER 2011 — OVERVIEW OF MONTHLY PERFORMANCE

MARKET OVERVIEW

The US convertible market, as measured by the BofA Merrill Lynch All Convertible Index, was up 6.63% in October, while underlying equities were up 15.18%. Year-to-date, the convertible bond market is down 3.06%.

Equity markets improved dramatically in October as the debt crisis in Europe subsided somewhat. European leaders were able to negotiate tentative plans to shore up local banks, many of which hold Greek and Italian sovereign debt. These proposals drove equities higher as the risk of European financial collapse eased. Additionally, generally positive corporate earnings announced throughout the month helped to push stock prices higher.

Speculative-grade convertible bonds outperformed investment-grade convertible bonds during the month. Speculative-grade convertibles bonds increased 7.36%, while investment-grade convertibles, as measured by the BofA Merrill Lynch Investment Grade Convertible Index, increased 4.89%. Year-to-date, speculative-grade convertible bonds are down 4.44%, while investment-grade convertible bonds are down 0.92%.

Consumer Discretionary was the best performing sector in October, followed by Industrials and Technology. The Consumer Discretionary sector was up 14.2%, Industrials was up 9.46%, and Technology was up 8.07%. The worst performing sector was Transportation, which was up 1.65%. Year-to-date, Utilities (+11.07%) is the best performing sector while Transportation (-22.47%) is the worst.

There were three new convertible bond issues in October. The sectors represented in these new convertible bond issues included Healthcare and Technology. The amount of new issues for October totaled \$1.34 billion. The average amount raised from each convertible bond offering was \$446.6 million. Year-to-date, total proceeds from new issues of convertible bonds is \$22.09 billion.

PERFORMANCE

Most portfolios outperformed their respective benchmarks during the month. Nearly every portfolio holding rose in October. Interestingly, several of the leading detractors during the most recent quarter, including specialty metals producer, Allegheny Technologies, and data storage company, EMC Corporation, turned tide and were leading contributors during the month of October. In their third quarter earnings report, Allegheny highlighted its improving financial statements. The company posted improved free cash flow and improvement to its net debt position. Additionally, Allegheny's products, particularly titanium and nickel alloy, face growing industrial, oil/gas, and jet engine demand into 2011 and beyond. As EMC Corporation company maintains its leadership position in enabling hybrid (public/private) cloud computing through infrastructure and application transformation, our long-term thesis surrounding the company remains intact. EMC also continues to display strength in its storage, VMware, and security capacities. Increasingly, these technology features are becoming high priority investments and less so discretionary expenditures, which make EMC less vulnerable to the volatile macroeconomic backdrop. Last, the convertible bonds of multi-industry company, Danaher Corp., outperformed in October after reporting solid third quarter earnings. Better core sales growth and strong overall incremental margin drove profitability in the quarter. Also, integration of the newly acquired Beckman Coulter Division is on track and continues to add visibility into next year's earnings growth.

Positions in MF Global and Life Technologies (formerly Invitrogen), and Medtronic hindered absolute returns during the month. On October 25th, financial services company, MF Global, reported a \$191.6 million loss as a result of trading in European bonds. Subsequently, Moody's and Fitch cut the company's rating to non-investment grade. The team sold its entire position in MF Global given the company's exorbitantly high leverage to European sovereign debt. On October 31st, after portfolios exited the holding, the company filed for bankruptcy. Despite the lack of negative company-specific news, companies such as Life Technologies fell in October following disappointing sales and earnings from Illumina Inc., a diagnostics company with a similar customer base. Investors became concerned that sales weakness at Illumina might signal trouble for other companies that

OCTOBER 2011 — OVERVIEW OF MONTHLY PERFORMANCE

sell to university other medical laboratories. Investors remain cautious of companies such as Life Technologies, given the shaky economic backdrop. Still, Life Technologies reported strong earnings this month and remains on target for achieving its financial goals for the year. While the convertible bonds of Medtronic actually ended flat for the month, they underperformed the market and therefore hindered relative returns. Concerns related to the U.S. Implantable Cardiac Defibrillator (ICD) market, underperformance in core spine, and the safety of bone morphogenetic protein (BMP) in spine biologics have weighed on shares of late. Despite this, growth expectations for new product launches and margin improvement should provide upside for the company.

OUTLOOK

We believe stock and convertible bond prices have sold down to levels that defy common sense. The average stock in the S&P 500 Index sells for just over ten times next year's already lowered earnings estimates. Skeptics might argue that 2012 earnings estimates need to be lowered further. Even if that is correct, barring a dramatic collapse in corporate earnings, stocks would still be inexpensive assuming earnings estimates next year are still 10-15% too high. Our sense is that as long as the experience of 2008 remains relatively fresh in people's minds, investors are overly reactionary to possible downside scenarios for the economy. An economic slowdown may result in some contraction of GDP but this is unlikely to justify current share prices. In addition, fears of a repeat of 2008 seem exaggerated, as it is hard to see how the \$7 trillion of wealth destruction during that period, when housing prices fell 30% can be repeated. Investor fears have led to liquidations amid a shortage of buyers. It is important to remember that markets sometimes predict crises that never materialize.

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This material contains the opinions of the Convertibles Team of MacKay Shields LLC but not necessarily those of MacKay Shields LLC. The opinions expressed herein are subject to change without notice. This material is distributed for informational purposes only, and is not intended to constitute the giving of advice or the making of a recommendation. Forecasts, estimates, and certain information contained herein are based upon proprietary research and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. No part of this article may be reproduced in any form, or referred to in any other publication, without express written permission of MacKay Shields LLC. ©2011, MacKay Shields LLC.

BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

Portfolio Composition and Performance — Account 1256

October 31, 2011

Composition	Market Value	Percent of Total
Fixed Income	15,538,754	82.30
Equity	2,375,044	12.58
Cash & Equivalents	965,910	5.12
Total Portfolio	\$18,879,708	100.00%

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Performance	Latest Month	Latest 3 Months	Year To Date	Latest 12 Months	3 Years Annualized	5 Years Annualized	Since 10/1/2003	Annualized Since 10/1/2003
Total Fund (Gross of fees)	5.02%	-2.26%	-0.19%	4.13%	12.35%	3.61%	52.25%	5.33%
Merrill Lynch Convertible Inv Grade	4.31%	-2.50%	-1.13%	1.33%	12.44%	4.86%	48.36%	5.00%
ML Convt Inv Grade BDS (Inc Mandatory)	4.89%	-2.69%	-0.92%	1.38%	11.67%	-0.22%	21.77%	2.46%

Expressed in USD
Past performance is not indicative of future results.

BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

Summary Report — Account 1256
October 31, 2011

	Total Cost	Percent at Cost	Yield at Cost	Market Value	Percent of Assets	Yield at Market	Annual Income
Bonds	14,249,066	86.61	1.62	15,459,183	81.88	1.50	231,442
Stocks	2,203,163	13.39	5.14	2,361,938	12.51	4.79	113,239
Cash & Equivalents	0	0.00		965,910	5.12	0.09	869
Accrued Income				92,677	0.49		
Total Portfolio	\$16,452,229	100.00%	2.10	\$18,879,708	100.00%	1.84	\$345,551



Recapture Services

Bay County Employees Retirement System

Plan Trading Summary (US Dollars)

January 01, 2011 - October 31, 2011

Ref#: 23803

Execution Solutions

Manager	Current Month Commissions	Current Month Credits	Year-To-Date Commissions	Year-To-Date Credits
Revenue Type: Equity				
Batterymarch Financial Management	0.00	0.00	0.00	0.00
Columbia Management Advisors, LLC	90.00	63.00	1,402.50	981.75
Denver Invmt Advisors	0.00	0.00	13,937.80	9,756.46
Eagle Asset Management	10.32	7.22	354.37	248.06
Eagle Asset Management	33.52	0.00	886.62	0.00
Hotchkis & Wiley	0.00	0.00	0.00	0.00
Marvin & Palmer Associates, Inc.	848.50	593.95	9,719.00	6,803.30
Wentworth, Hauser & Violich, Inc.	68.00	47.60	4,872.00	3,410.40
Totals for Equity	1,050.34	711.77	31,172.29	21,199.97
Revenue Type: Correspondent Equity				
Integrity Asset Management	0.00	0.00	1,541.41	1,078.99
Integrity Asset Management	0.00	0.00	737.19	0.00
Totals for Correspondent Equity	0.00	0.00	2,278.60	1,078.99
Grand Totals	1,050.34	711.77	33,450.89	22,278.96

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Commission Recapture Sales : Kimberly Doran, 212.468.7701, kdoran@convergex.com

Transition Management Sales : Kimberly Doran, 212.468.7701, kdoran@convergex.com

Commission Recapture Client Services : 800-992-7526, cpclientservices@convergex.com

This statement represents trades through Posted Date October 31, 2011 for all US transactions and upon information provided to us to date from our Global Correspondent Network for all non-US transactions

Summary by Revenue Type

Revenue Type	Month to Date		Year to Date	
	Commissions	Credits	Commissions	Credits
Equity	1,050.34	711.77	31,172.29	21,199.97
Correspondent Equity	0.00	0.00	1,541.41	1,078.99
Correspondent Broker Fees	0.00	0.00	737.19	0.00
International Correspondent	0.00	0.00	0.00	0.00
Correspondent Broker Fees	0.00	0.00	0.00	0.00
Fixed Income	0.00	0.00	0.00	0.00
12B-1 fees	0.00	0.00	0.00	0.00
Adjustments	0.00	0.00	0.00	0.00
No Credit	0.00	0.00	0.00	0.00
TOTAL	1,050.34	711.77	33,450.89	22,278.96

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Account Balance

Month	Commissions	Credits	Adjustments	Payments	Month Ending
Prior Year CR or DB	0.00	0.00			2,899.22
January 2011	3,033.20	1,959.48	0.00	2,899.22	1,959.48
February 2011	6,169.28	3,999.72	0.00	0.00	5,959.20
March 2011	3,333.14	2,327.32	0.00	0.00	8,286.51
April 2011	3,162.09	1,995.53	0.00	8,286.51	1,995.54
May 2011	5,298.22	3,616.06	0.00	0.00	5,611.60
June 2011	3,812.44	2,640.78	0.00	0.00	8,252.37
July 2011	2,363.62	1,609.88	0.00	8,252.37	1,609.89
August 2011	1,821.94	1,081.82	0.00	0.00	2,691.70
September 2011	3,406.62	2,336.60	0.00	0.00	5,028.30
October 2011	1,050.34	711.77	0.00	5,028.30	711.77
November 2011		0.00			
December 2011	0.00	0.00			
TOTAL	33,450.89	22,278.96	0.00	24,466.40	
Current Balance					711.77

Commission Recapture Sales : Kimberly Doran, 212.468.7701, kdoran@convergex.com

Transition Management Sales : Kimberly Doran, 212.468.7701, kdoran@convergex.com

Commission Recapture Client Services : 800-992-7526, crpcliantservices@convergex.com

This statement represents trades through Posted Date October 31, 2011 for all US transactions and upon information provided to us to date from our Global Correspondent Network for all non-US transactions

BILLING DATE: 11/04/2011
BILLING PERIOD: 10/01/2011 - 10/31/2011

ACCOUNT NUM.: BYC03 ACCOUNT NAME: BAYCO-- EARNINGS	US EQUITY		GLOBAL FIXED		GLOBAL EQUITY		TOTAL
	US FIXED						
OPEN CASH	0.00	0.00	0.00	0.00	21.96	21.96	
TERM CASH	0.00	0.00	0.00	0.00	0.00	0.00	
NON CASH	0.00	0.00	0.00	0.00	0.00	0.00	
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00	0.00	
GROSS EARNINGS	0.00	0.00	0.00	0.00	21.96	21.96	
TOTAL REBATES	0.00	0.00	0.00	0.00	10.91-	10.91-	
COMMISSIONS	0.00	0.00	0.00	0.00	0.00	0.00	
CLIENT EARNINGS	0.00	0.00	0.00	0.00	32.87	32.87	
BANK FEES	0.00	0.00	0.00	0.00	13.14	13.14	
NET INCOME	0.00	0.00	0.00	0.00	19.73	19.73	

ACCOUNT NUM.: 1799220 ACCOUNT NAME: *TNT-LDN-BYCO3-BAYCO-EARNING-SL	0.00	0.00	0.00	0.00	165.11	165.11	
OPEN CASH	0.00	0.00	0.00	0.00	0.00	0.00	
TERM CASH	0.00	0.00	0.00	0.00	0.00	0.00	
NON CASH	0.00	0.00	0.00	0.00	0.00	0.00	
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00	0.00	
GROSS EARNINGS	0.00	0.00	0.00	0.00	165.11	165.11	
TOTAL REBATES	0.00	0.00	0.00	0.00	0.86-	0.86-	
COMMISSIONS	0.00	0.00	0.00	0.00	0.00	0.00	
CLIENT EARNINGS	0.00	0.00	0.00	0.00	165.97	165.97	
BANK FEES	0.00	0.00	0.00	0.00	66.22	66.22	
NET INCOME	0.00	0.00	0.00	0.00	99.75	99.75	

ACCOUNT NUM.: 2608694 ACCOUNT NAME: *BAYCO - COLUMBIA MANAGEMENT	1,303.81	0.00	0.00	0.00	0.00	1,303.81	
OPEN CASH	0.00	0.00	0.00	0.00	0.00	0.00	
TERM CASH	0.00	0.00	0.00	0.00	0.00	0.00	
NON CASH	0.00	0.00	0.00	0.00	0.00	0.00	
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00	0.00	
GROSS EARNINGS	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL REBATES	0.00	0.00	0.00	0.00	0.00	0.00	
COMMISSIONS	0.00	0.00	0.00	0.00	0.00	0.00	
CLIENT EARNINGS	0.00	0.00	0.00	0.00	0.00	0.00	
BANK FEES	0.00	0.00	0.00	0.00	0.00	0.00	
NET INCOME	0.00	0.00	0.00	0.00	0.00	0.00	

ACCOUNT NUM.: 2618668		US EQUITY		GLOBAL FIXED		GLOBAL EQUITY		TOTAL
ACCOUNT NAME: *BAYCO - BAIRD		US FIXED		-SL				
OPEN CASH	1,805.40					0.00	0.00	1,805.40
TERM CASH	0.00					0.00	0.00	0.00
NON CASH	0.00					0.00	0.00	0.00
DEAL STOCKS	0.00					0.00	0.00	0.00
GROSS EARNINGS	1,805.40					0.00	0.00	1,805.40
TOTAL REBATES	792.92					0.00	0.00	792.92
COMMISSIONS	0.00					0.00	0.00	0.00
CLIENT EARNINGS	1,012.48					0.00	0.00	1,012.48
BANK FEES	404.84					0.00	0.00	404.84
NET INCOME	607.64					0.00	0.00	607.64

ACCOUNT NUM.: 2620611		US EQUITY		GLOBAL FIXED		GLOBAL EQUITY		TOTAL
ACCOUNT NAME: *BAYCO - MARVIN & PALMER		US FIXED		-SL				
OPEN CASH	883.53					0.00	54.67	938.20
TERM CASH	0.00					0.00	0.00	0.00
NON CASH	0.00					0.00	0.00	0.00
DEAL STOCKS	0.00					0.00	0.00	0.00
GROSS EARNINGS	883.53					0.00	54.67	938.20
TOTAL REBATES	14.70					0.00	0.06	14.76
COMMISSIONS	0.00					0.00	0.00	0.00
CLIENT EARNINGS	898.23					0.00	54.73	952.96
BANK FEES	359.00					0.00	21.85	380.85
NET INCOME	539.23					0.00	32.88	572.11

ACCOUNT NUM.: 2622490		US EQUITY		GLOBAL FIXED		GLOBAL EQUITY		TOTAL
ACCOUNT NAME: *BAYCO - MACKAY SHIELDS		US FIXED		-SL				
OPEN CASH	148.94					0.00	0.00	542.16
TERM CASH	0.00					0.00	0.00	0.00
NON CASH	0.00					0.00	0.00	0.00
DEAL STOCKS	0.00					0.00	0.00	0.00
GROSS EARNINGS	148.94					0.00	0.00	542.16
TOTAL REBATES	230.91					0.00	0.00	766.31
COMMISSIONS	0.00					0.00	0.00	0.00
CLIENT EARNINGS	379.85					0.00	0.00	1,308.47
BANK FEES	151.88					0.00	0.00	523.14
NET INCOME	227.97					0.00	0.00	785.33

ACCOUNT NUM.: 2622536		US FIXED		US EQUITY		GLOBAL FIXED		GLOBAL EQUITY		TOTAL
ACCOUNT NAME: *BAYCO - HOTCHKIS & WILEY -SL										
OPEN CASH	0.00			1,177.54		0.00		103.81		1,281.35
TERM CASH	0.00			0.00		0.00		0.00		0.00
NON CASH	0.00			0.00		0.00		0.00		0.00
DEAL STOCKS	0.00			0.00		0.00		0.00		0.00
GROSS EARNINGS	0.00			1,177.54		0.00		103.81		1,281.35
TOTAL REBATES	0.00			4.53-		0.00		1.87-		6.40-
COMMISSIONS	0.00			0.00		0.00		0.00		0.00
CLIENT EARNINGS	0.00			1,182.07		0.00		105.68		1,287.75
BANK FEES	0.00			470.93		0.00		42.06		512.99
NET INCOME	0.00			711.14		0.00		63.62		774.76

ACCOUNT NUM.: 2624493		US FIXED		US EQUITY		GLOBAL FIXED		GLOBAL EQUITY		TOTAL
ACCOUNT NAME: *BAYCO - WENTWORTH -SL										
OPEN CASH	0.00			1,060.20		0.00		0.00		1,060.20
TERM CASH	0.00			0.00		0.00		0.00		0.00
NON CASH	0.00			0.00		0.00		59.71		59.71
DEAL STOCKS	0.00			0.00		0.00		0.00		0.00
GROSS EARNINGS	0.00			1,060.20		0.00		59.71		1,119.91
TOTAL REBATES	0.00			2.51-		0.00		0.00		2.51-
COMMISSIONS	0.00			0.00		0.00		0.00		0.00
CLIENT EARNINGS	0.00			1,062.71		0.00		59.71		1,122.42
BANK FEES	0.00			424.93		0.00		23.88		448.81
NET INCOME	0.00			637.78		0.00		35.83		673.61

ACCOUNT NUM.: 2629086		US FIXED		US EQUITY		GLOBAL FIXED		GLOBAL EQUITY		TOTAL
ACCOUNT NAME: ZZ*BAYCO - BATTERYMARCH -SL										
OPEN CASH	0.00			0.00		0.00		0.00		0.00
TERM CASH	0.00			0.00		0.00		0.00		0.00
NON CASH	0.00			0.00		0.00		0.00		0.00
DEAL STOCKS	0.00			0.00		0.00		0.00		0.00
GROSS EARNINGS	0.00			0.00		0.00		0.00		0.00
TOTAL REBATES	0.00			0.00		0.00		0.00		0.00
COMMISSIONS	0.00			0.00		0.00		0.00		0.00
CLIENT EARNINGS	0.00			0.00		0.00		0.00		0.00
BANK FEES	0.00			0.00		0.00		0.00		0.00
NET INCOME	0.00			0.00		0.00		0.00		0.00

US FIXED			US EQUITY		GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2639956							
ACCOUNT NAME: *BAYCO - DENVER INV ADV							
OPEN CASH	0.00	-SL	1,401.98	0.00	0.00	101.18	1,503.16
TERM CASH	0.00		0.00	0.00	0.00	0.00	0.00
NON CASH	0.00		0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00		0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00		1,401.98	0.00	0.00	101.18	1,503.16
TOTAL REBATES	0.00		2,089.44-	0.00	2.22-	2.22-	2,091.66-
COMMISSIONS	0.00		0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00		3,491.42	0.00	0.00	103.40	3,594.82
BANK FEES	0.00		1,395.64	0.00	0.00	41.30	1,436.94
NET INCOME	0.00		2,095.78	0.00	62.10		2,157.88

ACCOUNT NUM.: 2641401							
ACCOUNT NAME: *BAYCO - LOOMIS SAYLES							
OPEN CASH	1,167.77	-SL	0.00	276.95	0.00	0.00	1,444.72
TERM CASH	0.00		0.00	0.00	0.00	0.00	0.00
NON CASH	0.00		0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00		0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	1,167.77		0.00	276.95	0.00	0.00	1,444.72
TOTAL REBATES	138.67-		0.00	1.70-	0.00	0.00	140.37-
COMMISSIONS	0.00		0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	1,306.44		0.00	278.65	0.00	0.00	1,585.09
BANK FEES	521.96		0.00	111.34	0.00	0.00	633.30
NET INCOME	784.48		0.00	167.31	0.00		951.79

ACCOUNT NUM.: 2653308							
ACCOUNT NAME: *BAYCO - INTEGRITY							
OPEN CASH	0.00	-SL	1,406.99	0.00	77.34	1,484.33	
TERM CASH	0.00		0.00	0.00	0.00	0.00	0.00
NON CASH	0.00		0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00		0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00		1,406.99	0.00	77.34	1,484.33	
TOTAL REBATES	0.00		38.73-	0.00	1.18-	39.91-	
COMMISSIONS	0.00		0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	1,445.72		0.00	0.00	78.52	1,524.24	
BANK FEES	0.00		577.03	0.00	31.37	608.40	
NET INCOME	0.00		868.69	0.00	47.15		915.84

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ACCOUNT NUM.: 2663296		US FIXED		US EQUITY		GLOBAL FIXED		GLOBAL EQUITY		TOTAL
ACCOUNT NAME: *BAYCO - CORNERSTONE REALES-SL										
OPEN CASH	0.00			1,147.10		0.00		0.00		1,147.10
TERM CASH	0.00			0.00		0.00		0.00		0.00
NON CASH	0.00			3.03		0.00		0.00		3.03
DEAL STOCKS	0.00			0.00		0.00		0.00		0.00
GROSS EARNINGS	0.00			1,150.13		0.00		0.00		1,150.13
TOTAL REBATES	0.00			64.36--		0.00		0.00		64.36--
COMMISSIONS	0.00			0.00		0.00		0.00		0.00
CLIENT EARNINGS	0.00			1,214.49		0.00		0.00		1,214.49
BANK FEES	0.00			484.29		0.00		0.00		484.29

NET INCOME	0.00			730.20		0.00		0.00		730.20
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ACCOUNT NUM.: 2695063		EAGLE ASSET		-SL						
ACCOUNT NAME: *BAYCO -										
OPEN CASH	0.00			1,273.47		0.00		50.03		1,323.50
TERM CASH	0.00			0.00		0.00		0.00		0.00
NON CASH	0.00			0.14		0.00		0.00		0.14
DEAL STOCKS	0.00			0.00		0.00		0.00		0.00
GROSS EARNINGS	0.00			1,273.61		0.00		50.03		1,323.64
TOTAL REBATES	0.00			1,863.72--		0.00		82.85--		1,946.57--
COMMISSIONS	0.00			0.00		0.00		0.00		0.00
CLIENT EARNINGS	0.00			3,137.33		0.00		132.88		3,270.21
BANK FEES	0.00			1,252.38		0.00		53.03		1,305.41

NET INCOME	0.00			1,884.95		0.00		79.85		1,964.80
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GRAND TOTAL										
OPEN CASH	3,366.39			9,803.56		276.95		574.10		14,021.00
TERM CASH	0.00			0.00		0.00		0.00		0.00
NON CASH	0.00			3.17		0.00		59.71		62.88
DEAL STOCKS	0.00			0.00		0.00		0.00		0.00
GROSS EARNINGS	3,366.39			9,806.73		276.95		633.81		14,083.88
TOTAL REBATES	118.85			4,377.50--		1.70--		99.95--		4,360.30--
COMMISSIONS	0.00			0.00		0.00		0.00		0.00
CLIENT EARNINGS	3,247.54			14,184.23		278.65		733.76		18,444.18
BANK FEES	1,298.06			5,664.62		111.34		292.85		7,366.87

NET INCOME	1,949.48			8,519.61		167.31		440.91		11,077.31
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REFUNDS: FOR THE MONTH ENDIND NOVEMBER 30, 2011

EMPLOYEE/BENEFICIAR	CONTRIBUTIONS REFUNDED	PROCESSED ON	DEPARTMENT TERMINATED	TERMINATION DATE
Keyes, Trevor	20.63	11/10/11	Central Dispatch	01/06/10
Bushey, Elizabeth	<u>1,709.44</u>	11/18/11	BABH	09/16/11
TOTAL REFUNDS:	<u>1,730.07</u>			

RETIREE	CONTRIBUTIONS TRANSFERRED	DEPARTMENT	EFFECTIVE DATE
Scherf, Rebecca	5,348.13	Deferred	11/08/11
Lynch, Donald	60,086.84	DWS	11/05/11
Whitney, Derryl	34,912.24	BMCF	11/05/11
Collins, Jane	48,508.09	BABH	10/20/11
Fall, Ricky	21,468.51	BABH	10/31/11
Rinz, Richard	82,436.85	R/C	11/19/11

DECEASED EMPLOYEE/ RETIREE	BENEFICIARY	REFUND/ PENSION	DATE/DEPARTMENT
Tackman, Gail	N/A	Pension	10/30/11 BMCF
Blondin, Willis	N/A	Pension	11/13/11 Road Comm
Peterson, Marlene	N/A	Pension	11/9/11 BMCF

NO REFUNDS EMPLOYEE NAME	ACCUMULATED CONTRIBUTIONS	UNION GROUP	DATE TERMINATED
Keyes, Timothy	3,921.57	USW FT	9/30/11
Lomprey, Rosanne	1,885.19	BMCF	10/10/2011
Niec, Michele	5,644.61	BMCF	10/24/2011
Vasquez, Marie	1,750.39	BMCF	11/1/2011
Meyer, Nicole	<u>9,220.17</u>	BMCF	11/21/2011
TOTAL NO REFUNDS	<u>22,421.93</u>		

November 6, 2011

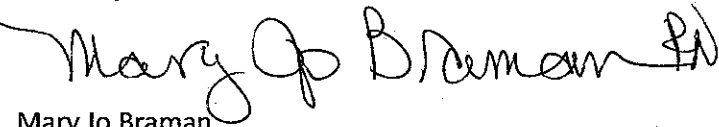
Board of Trustees,

I, Mary Jo Braman, have been in contact with Danean Wright, Retirement Administrator regarding purchasing my previous years of service credit. She has directed me to you, the Board of Trustees.

As a Public Health Nurse for the Bay County Health Department, I am a current Bay County employee. I therefore would like to purchase my previous service credit from March 30, 1980 to August 22, 1996 for a total of 14 years. Due to being off on sick and accident leave, I understand that though I was employed for over 16 years, yet I only accrued 14 years of service during that time.

Thank you for your consideration in approving this purchase of dedicated service time.

Sincerely,

A handwritten signature in cursive script that reads "Mary Jo Braman". To the right of the signature is a small, stylized mark that appears to be initials or a flourish.

Mary Jo Braman

Mary Jo Braman

TOTAL AMOUNT OF TIME TO BUYBACK WOULD BE FOURTEEN YEARS
MARCH 30, 1980 THRU AUGUST 22, 1996 FROM THE BAY COUNTY HEALTH DEPT

MS. BRAMAN 'S REFUND JANUARY 31, 1997
MULTIPLIED BY THE ACTUARY INTEREST FACTOR IN EFFECT UNTIL 7/01/2012

MS. BRAMAN 'S REFUND JANUARY 31, 1997	\$17,182.27
MULTIPLIED BY THE ACTUARY INTEREST FACTOR IN EFFECT UNTIL 7/01/2012	2.957

AMOUNT OWED ONE YEAR FROM DATE OF APPROVAL OR PRIOR TO RETIREMENT WHICHEVER IS EARLIER	<u>\$50,807.97</u>
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225 West Wacker Drive, Suite 400
Chicago, Illinois 60606

November 21, 2011

Danean Wright
Bay County Employees Retirement System
515 Center Avenue, Suite 706
Bay City, Michigan 48708

Dear Danean:

There will be no change in Becker, Burke's investment consulting fee for the Retirement System for 2012. The fee will remain at \$125,000 annually. We will continue to bill this quarterly at \$31,250 per quarter.

The fee for the VEBA is \$14,500 or \$3,625 quarterly. Once the new managers for the VEBA begin managing VEBA assets, there will be an addition annual charge of \$1,500 per manager or \$375 per manager per quarter, added starting at the point that the reporting is initiated. Otherwise there is no change in the VEBA fee.

Becker, Burke values highly our relationship with Bay County Employees Retirement System. Jeff and I very much enjoy working with you and the Board of Trustees.

If there are any questions on the above, or other ways we can be of assistance, please let me know.

A handwritten signature in cursive script, appearing to read 'Rick'.

Rick Potter
Principal

Cc: Jeff Black

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NOTICE OF PUBLIC MEETINGS

THE BOARD OF TRUSTEES OF THE BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM, 515 CENTER AVENUE, 7TH FLOOR, BAY CITY, MICHIGAN 48708, PHONE NUMBER (989) 895-4030, HAS SCHEDULED REGULAR MEETINGS FOR **2012**. ALL MEETINGS WILL BE HELD AT **1:30 P.M.** IN THE **BOARD OF COMMISSIONERS CHAMBERS**, LOCATED IN THE BAY COUNTY BUILDING, 515 CENTER AVENUE, **4TH FLOOR**, BAY CITY, MI 48708.

JANUARY 10, 2012
FEBRUARY 14, 2012
MARCH 13, 2012
APRIL 10, 2012
MAY 8, 2012
JUNE 12, 2012
JULY 10, 2012
AUGUST 14, 2012
SEPTEMBER 11, 2012
OCTOBER 9, 2012
NOVEMBER 13, 2012
DECEMBER 11, 2012

<hr/>	<hr/>
Date	Crystal Hebert Finance Officer/Secretary Bay County Employees' Retirement System, Board of Trustees

The County of Bay will provide reasonable and necessary auxiliary aids and services, such as signers for the hearing impaired and audio tapes of printed materials being considered the meeting, to individuals with disabilities at the meeting/hearing upon ten days notice to the County of Bay. Individuals with disabilities requiring auxiliary aids or services should contact the County of Bay by calling or writing: Michael Gray, Executive Assistant, Office of the Bay County Executive, 515 Center Avenue, Bay City, MI 48708, (989) 895-4130 or (989) 895-4049. TDD

December 7, 2011

Board of Trustees
c/o Ms. Danean Wright
Bay County Employees' Retirement System
515 Center Avenue, Suite 706
Bay City, Michigan 48708

Re: GRS Contact Information

Dear Board Members:

We are writing to inform you about a change in personnel at Gabriel, Roeder, Smith and Company (GRS). The primary contact assigned to your account, Cathy Nagy, is no longer employed by GRS (effective December 15, 2011).

After careful consideration, we are proposing Mark Buis, FSA, EA, MAAA, as the primary consultant responsible for your work in the future. Mark has nearly 25 years of experience with issues related to governmental plans. Mark also serves in a management role at GRS. He is a Team Leader and has had the responsibility for supervising the team assigned to the Bay County Employees Retirement System these past 5 years. A brief biography for Mark is enclosed. As always, the choice of consultant is up to you, and GRS has over 40 credentialed actuaries available to serve you.

Providing The Bay County Employees Retirement System with the best possible service is very important to Gabriel, Roeder, Smith & Company and we will work diligently to make this transition a seamless one. If you would like Mark or me to attend the next Board meeting or if you are concerned about the transition for any reason, please contact me.

Sincerely,



Judith A. Kermans, EA MAAA, FCA
Regional Director

JAK:rmn

MARK BUIS

Mark Buis joined Gabriel, Roeder, Smith & Company in 2001 as an actuary and consultant. Previously, he had worked for another national actuarial and consulting firm for 13 years. Mr. Buis' background encompasses working on plan redesign and overseeing all aspects of the actuarial valuation process, including preparation of project plans, budgets, and communication with the consulting team and the client.

PROFESSIONAL EXPERIENCE

Mark's main responsibilities are actuarial valuations and consulting for public employee retirement systems, including project management and the preparation and presentation of actuarial valuations, experience studies and valuation of post-retirement health care plans. He has over 20 years of pension experience and considerable knowledge of current issues facing public employee retirement systems which includes providing testimony at arbitration hearings and providing Board education on various actuarial topics. Mark also serves as a pension team leader in the Midwest region supervising a team of 15 members.

His client responsibilities include public plans in Arizona, Michigan, Illinois, Wisconsin and New Hampshire.

PROFESSIONAL ASSOCIATIONS

Mark is an Fellow of the Society of Actuaries (FSA), an Enrolled Actuary (EA), and a Member of the American Academy of Actuaries (MAAA).

PROFESSIONAL ACTIVITIES

Mark attends various conferences held by professional organizations, including the Society of Actuaries (SOA), the Conference of Consulting Actuaries (CCA), Michigan Association of Public Employees Retirement System (MAPERS), Michigan Public Employer Labor Relations Association (MPELRA), and National Conference on Public Employee Retirement Systems (NCPERS).

EDUCATION

Mark received a BA in Mathematics from Calvin College and a MS in Statistics from Michigan State University.

Employees' Retirement System Statement of Investment Policy

Adopted June 12, 1990

Amended November 5, 1993

Amended December 12, 1995

Amended August 13, 1996

Amended February 9, 1999

Amended August 12, 2003

Amended , 2011



BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM STATEMENT OF INVESTMENT POLICY

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BAY COUNTY, MICHIGAN EMPLOYEE'S RETIREMENT SYSTEM
STATEMENT OF INVESTMENT POLICY

I. INTRODUCTION

This document *Bay County Employees' Retirement System (System) Statement of Investment Policy* establishes the ~~(Investment Policy or Policy)~~ for the Bay County Employees' Retirement System (system). This investment policy (policy) has been developed by the Board of Trustees (Trustees) as the most appropriate policy for achieving the financial objectives of the System.

The Board of Trustees are responsible for investing assets of the System in a prudent manner for the benefit of plan participants according to the guidelines and limitations as set forth within this document and the Public Employees' Retirement Systems Investment Act, Public Act 314 of 1965, 1965 PA 314, as amended (MCLA 38.1132 et seq, as amended).

The Investment Managers, acting as Investment Fiduciaries investment fiduciaries and commissioned by the Trustees to execute this Policy, shall invest plan Assets assets in accordance with this Policy policy, their professional judgment concerning relative investment values, and the Trustees' directives. In particular, the Investment Managers are accorded full discretion, provided they conform with policy guidelines and limitations as set forth within this Policy document and the Public Employees' Retirement Systems Investment Act, Public Act 314 of 1965, 1965 PA 314, as amended (MCLA 38.1132 et seq, as amended), which is attached and is incorporated into this Policy policy by reference; as well as any other applicable state and federal laws, regulations, and rules not specifically mentioned herein to: (1) select individual securities, (2) make periodic adjustments to the proportion of Assets assets invested and held in cash, and (3) diversify plan assets.

II. OBJECTIVES

The primary objective of the Trustees is to meet current and future pension obligations by preserving Assets assets and providing a reasonable rate of return; and secondly, to assure that the plan grows at a rate which will safeguard the funded status of the System system.

While there cannot be complete assurance that these objectives will be realized, it is believed that the likelihood of their realization is reasonably high based upon this Investment Policy investment policy. These objectives are based upon a long-term investment horizon so interim fluctuations should be viewed with appropriate perspective.

The desired investment objective is a rate of return on total plan Assets assets is expected to be 8-percent (8.0%) annualized over rolling 5-year periods. This rate is based upon the Policy policy allocation mix and the expected long term return expectations of the Asset asset classes in which the System pension plan allocates.

The Trustees believe the security selection guidelines and the asset allocation ranges specified in this Policy policy will achieve the System's system's

BAY COUNTY, MICHIGAN EMPLOYEE'S RETIREMENT SYSTEM
STATEMENT OF INVESTMENT POLICY

objectives. The Trustees also realize that market performance varies from period to period and that a rate of return that is set at 8-percent annually may not be meaningful during some periods or to specific Investment Fiduciaries or Investment Managers asset managers. Accordingly, the Trustees will evaluate the performance of the system's Investment Managers versus other managers and return benchmarks, as set forth in "Section V - Standards of Investment Performance" of this policy.

III. POLICY GUIDELINES

A) Asset Allocation - Total Plan

Asset allocation plays the largest role in determining the range of (?) long-term results and risks in any plan. The Trustees have reviewed the risks inherent in the Asset asset classes available for investment as well as legal State limitations on deployment of Assets assets. The Trustees have also considered the liabilities and short-term liquidity needs of the system. As a result, the Board of Trustees has established the following Asset asset allocation guidelines for the fund's total Assets assets:

<u>ASSET CLASS</u>	<u>MINIMUM</u>	<u>TARGET</u>	<u>MAXIMUM</u>
US Large Cap Equity	26%	31%	36%
US Mid Cap Equity	11%	15%	19%
US Small Cap Equity	3%	6%	9%
International Equity	10%	14%	18%
Real Estate Equity	1%	3%	5%
US Core Fixed Income	20%	26%	32%
Convertible Securities	3%	5%	7%

B) Asset Allocation - Investment Managers

The plan assets will be deployed to and managed by the number of Investment Managers that the Trustees shall, from time to time, determine to be in the best interest of the system.

C) Asset Allocation - Rebalancing

As the total deployment of Assets assets shifts over time, due to market fluctuations or additional contributions to the fund, it will be the responsibility of the Trustees or their appointee(s) to rebalance the Asset asset deployment to stay within the stated guidelines.

For purposes of "rebalancing" the total plan Assets assets, it will be assumed that all Assets assets, held by a manager are either invested in the Asset asset class or held in reserve to be invested in the Asset asset class in which the manager was commissioned to invest.

IV. INVESTMENT GUIDELINES

BAY COUNTY, MICHIGAN EMPLOYEE'S RETIREMENT SYSTEM
STATEMENT OF INVESTMENT POLICY

A) Diversification

Trust ~~Assets~~ assets shall be broadly diversified to reduce the risk of large losses in individual investments. *Trustees shall consider* ~~diversification~~ guidelines as established by *Michigan* the state law governing public employees' retirement system investments will be considered by the Trustees to be as the benchmark ~~to~~ by which all Investment Managers will be held responsible.

B) Fixed-Income Minimum Rating/Duration Standards

No individual *Fixed Income* ~~fixed income~~ *Investment* security shall have a Moody's investment rating below "Baa3," or a Standard & Poor's rating below "BBB-." The total fixed-income portfolio of each fixed income manager shall have an average rating of "A" or better from either rating agency. The effective duration of the portfolio may not vary more than +/- two (2) years from the effective duration of the Barclay's Capital Aggregate Bond Index.

C) Liquidity

Based on the performance and funding status of the system, the Trustees, ~~from time to time~~, anticipate the need to periodically withdraw trust ~~Assets~~ assets to pay pension benefits and administrative costs. Managers will be advised as far in advance as possible of withdrawals from their portfolios.

D) Prohibited Investments

Within the guidelines defined above, the Investment Managers have full discretionary power over the management of funds in their care with the exception of the following prohibited investments:

- Venture Capital
- Letter Stock
- Options, except Covered Calls and Embedded Call and Put Options
- Commodity/Future Contracts
- Private Placements, Except Rule 144(A) Fixed Income Securities
- Limited Partnerships
- Derivatives, except when they are within commingled/pooled

The Trustees recognize that managers of, or managers who purchase, commingled/pooled investment vehicles cannot respond to the individual needs of each of their clients; therefore, these managers are to define their policies on *Derivatives* derivatives and the Trustees shall make the judgment as to whether or not the manager's practices are in keeping with the spirit of the Trustees' ~~Policy~~ policy on derivatives.

BAY COUNTY, MICHIGAN EMPLOYEE'S RETIREMENT SYSTEM
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V. STANDARDS OF INVESTMENT PERFORMANCE

The Trustees have developed the following long-term investment return objectives which generally will require 3 to 5 years of performance history to satisfy. In the interim, other factors will be given significantly more weight than investment results. These factors include, but are not limited to:

- Consistency of Investment Style
- Organizational and Personnel Stability
- Fundamental and Statistical Account Risk

Over the long term, a 3- to 5-year period, the following objectives should be met by the plan and its managers:

- A) The plan must realize a rate of return that is at least 8 percent (8.0%) annually over rolling 5-year periods. Additionally, the plan's Rate of Return rate of return should exceed a customized index comprised of S&P 500 index (55 percent), the MSCI EAFE index (14 percent), and the Barclay's Capital Aggregate index (31 percent) over a 3 to 5 year period. The plan's return, over a 3 to 5 year period, must achieve performance in the top one-third (1/3) of a recognized plan universe and in the top one-half (1/2) when compared to plans with similar policies (e.g., asset allocation, risk, etc.).
- B) All decisions to retain or terminate an Investment Manager are to be made according to the Trustees' best judgment concerning a manager's ability to meet the future expectations of the System system. These judgments are to be guided by performance measurement standards. Each Investment Manager is expected to exceed two performance standards over a designated measurement period. The primary performance expectation is to rank within the top half (1/2) of an applicable universe of actively managed peer funds over a 3 to 5 year measurement period. Secondly, in terms of market comparisons, an Investment Manager's performance is expected to beat that of an assigned benchmark index over a period of 3 to 5 years. Specific benchmark index assignments are communicated to each manager individually.

Managers who do not meet the above objectives will be considered for probation where their performance will be subject to further review by the Board of Trustees for possible termination. Managers assigned to probation will be maintained on a watch list "Watch-List" and will be under review until one of the following occurs:

1. Performance improves to the point that the measurements meet the objectives and no other organizational issues arise. The manager is removed from probation.
2. Performance does not improve over a reasonable period and the manager is terminated.
3. Issues occurring within the manager's organization cause the Trustees to believe that the manager is no longer capable of executing the strategy for

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which they were hired. The manager is terminated regardless of improved performance.

VI. REVIEW PROCESS

The Trustees will conduct a quarterly review of the plan and each manager's results. The managers will be required to submit written quarterly reports and to meet with the Trustees at least annually. During these annual reviews, the following topics will be discussed by the Investment Manager(s):

- Fund rate of return on a quarterly, year-to-date, annual, and long-term basis relative to the stated benchmarks.
- Current portfolio holdings relative to the manager's style and the plan's guidelines.
- Market expectations and portfolio strategy.
- Changes in the manager's organizational structure, ownership, or personnel.

Each manager is expected to act in a prudent fashion and in compliance with this Policy, ~~policy guidelines and limitations as set forth within this document and the Public Employees' Retirement Systems Investment Act, Public Act 314 of 1965, as amended (MCLA 38.1132 et seq, as amended).~~ Any perceived conflict between a manager's fiduciary responsibility and guidance given by the Board of Trustees should immediately be brought to the attention of the Trustees.

VII. TRADING

Investment Managers shall be prohibited from conducting investment transactions (trades) with or through any and all subsidiaries and/or parent organizations.

Directed Brokerage. The Trustees, in order to reduce "out-of-pocket" expenses, have instructed the Investment Managers to utilize directed brokerage, where applicable, provided brokerage can be competitive on total transaction costs.

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VIII. PROXY VOTING

Unless otherwise notified, the Investment Managers shall have the authority to "vote" on all issues presented to stockholders. It is expected that managers will vote for the sole benefit of the beneficiaries of the system. A summary of votes cast shall be submitted to the Board of Trustees on a quarterly basis. This summary must identify the company, number of shares held, subject proxy issues, votes (whether for or against management), and justification. Voting by proxies must conform with the provision set forth in the Public Employees' Retirement Systems Investment Act, Public Act 314 of 1965, 1965 PA 314, as amended (MCLA 38.1132 et seq, as amended).

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GLOSSARY

American Depository Receipt (ADR) - A receipt for the shares of a foreign-based corporation held in the vault of a U.S. bank and entitling the shareholder to all dividends and capital gains. (Instead of buying shares of foreign-based companies in overseas markets, Americans can buy shares in the U.S. in the form of an ADR.)

Assets - Any owned physical object (tangible) or right (intangible) having economic value to its owner. For the purpose of meeting asset limitations, means the total of the cash, accounts receivable, and investments of a system valued at cost.

Bond - Any interest bearing or discounted government or corporate security that obligates the issuer to pay the bondholder a specified sum of money, usually at specific intervals, and to repay the principal amount of the loan at maturity. Bondholders do not have corporate ownership privileges.

Bond Rating - Quality ratings of corporate and municipal bond issues which reflect the probability of default on each issue. Three major rating agencies are Fitch Investor Services, Moody's Investor Services, and Standard & Poor's Corporation. Twelve alphabetic ratings ranging from AAA to AA (high quality), A to BBB (investment grade), BB to B (substandard), and CCC to D (speculative) are assigned. Bonds rated B or below are not investment grade—in other words, institutions that invest other people's money are restricted from buying bonds below that rating under most state laws.

LEADING BOND RATING SERVICES Explanation of Corporate/Municipal Bond Rating	RATING SERVICE		
	FITCH	MOODY'S	STANDARD & POOR'S
Highest quality, "gilt edged"	AAA	Aaa	AAA
High quality	AA	Aa	AA
Upper medium grade	A	A	A
Medium grade	BBB	Baa	BBB
Predominantly speculative	BB	Ba	BB
Speculative, low grade	B	B	B

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Poor to default	CCC	Caa	CCC
Highest speculation	CC	Ca	CC
Lowest quality, no interest	C	C	C
In default, in arrears	DDD		DDD
questionable value	DD		DD
	D		D

Fitch and Standard & Poor's may use + or - to modify some ratings. Moody's uses the numerical modifiers 1 (highest), 2, and 3 in the range from Aa1 through Ca3.

Capital Stock - Stock authorized by a company's charter and having par value, stated, value, or no par value. Capital stock encompasses both common and preferred stock.

Call Option - The right to buy a specific number of shares at a specified price by a fixed date.

Cash Equivalents - Are instruments of investments of such high liquidity and safety that they are virtually as good as cash; i.e., Money Market Fund or Treasury Bill.

Commodity/Future Contracts - Are agreements to buy or sell a specific amount of commodity or financial instrument at a particular price on a stipulated future date.

Common Stock - Are units of ownership of a public corporation. Owners typically are entitled to vote on the selection of directors and other important matters as well as to receive dividends on their holdings. Claims of common stock owners against the corporation are subordinate to those of secured and unsecured creditors and owners of bonds and preferred stock.

Convertibles - Corporate securities, usually bonds or preferred stock, that are exchangeable for a set number of another form, usually common stock, at a pre-stated price.

Covered Call Option - A written call option for which the writer owns an instrument or commodity that could be delivered if the option is exercised by its holder.

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Derivative - A financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index, or reference rate.

Equities - Ownership interest possessed by shareholders in corporation--stocks as opposed to bonds.

Fixed Income Investment - A security that pays a fixed rate of return, i.e., corporate or municipal bonds.

Invest or Investment - Use of capital to create more money (interest or dividends) either through income-producing vehicles (stocks or bonds) or through more risk-oriented ventures (real estate) designed to result in capital gains.

Investment Fiduciary - A person who exercises any discretionary authority or control in the investment of a systems assets or renders for a fee investment advice for a system.

Investment Manager - A person or entity with the discretion to purchase, sell, or hold the approved securities or products that will be used to meet the Plan's investment objectives. Investment Managers include mutual funds, commingled and separately managed investment vehicles, and as otherwise specified through a contractual agreement between the parties.

Letter Stock - Stock that is not registered with the Securities and Exchange Commission (SEC) and therefore cannot be sold in the public market.

Limited Partnership - ~~An organization made up of a General Partner, who manages a project, and limited partners, who invest money but have limited liability, are not involved in day-to-day management, and usually cannot lose more than their capital contribution. Usually limited partners receive income, capital gains, and tax benefits; the general partner collects fees and a percentage of capital gains and income. Typical limited partnerships are in real estate, oil and gas, and equipment leasing.~~

Options - A legal right to buy or sell something, i.e., securities, at a specified price, usually within an agreed period of time.

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Preferred Stock - Is a class of capital stock that pays dividends at a specified rate and that has preference over common stock in the payment of dividends and the liquidation of assets. Preferred stock does not ordinarily carry voting rights.

Private Placements - The sale of stocks, bonds, or other investments directly to an institutional investor like an insurance company.

Proxy - A person authorized to vote on behalf of a stockholder of a corporation.

Put Option - The right to sell at a specified price a specific number of shares by a certain date.

Rate of Return - Fixed income securities (bonds and preferred stock) is the current yield, that is, the coupon or contractual dividend rate divided by the purchase price. Common stock: (1) dividend yield, which is the annual dividend divided by the purchase price. (2) Total return rate which is the dividend plus capital appreciation.

Real Estate Investment - An investment in a piece of land and all physical property related to it including houses, fences, landscaping, and all rights to the air above and earth below the property.

Real Rate of Return - Return on an investment adjusted for inflation.

Rebalancing - A process which is undertaken periodically that brings the deployment of retirement funds total assets within the asset allocation guidelines established by the Board of Trustees.

Rule 144(A) Securities - Private placement issued with registration rights requiring the securities to be registered with the Securities and Exchange Commission within six months.

Stocks - Means common stock, preferred stock, American depositary receipts, or any other evidence of residual ownership of a corporation that are a claim on the corporation's earnings and assets.

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Venture Capital - An important source of financing for start-up companies or others embarking on new or turnaround ventures that entail some investment risk but offer the potential for above average future profits.

Yankee Bond - A dollar denominated bond issued in the U. S. market and registered with the Securities and Exchange Commission (SEC) by foreign banks and corporations.

Yield - The actual, as distinct from the nominal, rate of return on an investor's capital investment.

RETIREMENT BOARD MEETINGS FOR 2011
SCHEDULE OF SPEAKERS - MEETINGS START AT 1:30 P.M.

DATE	MONEY MANAGER	SPEAKER	CONFIRMATION RECEIVED
JANUARY 11	Baring Asset Management	Barbara Cassidy	YES
FEBRUARY 8	Cornerstone	Kevin Ryan and Scott Westphal	YES
	Becker, Burke - 4 th Qtr Rpt '10	Rick Potter	YES
MARCH 8	MacKay Shields	Beth Griper Edward Silverstein	YES
	Loomis Sayles	Todd Needham	YES
APRIL 12	NO SPEAKERS		
MAY 10	Denver Investments	Todger Anderson Brian Fitzsimons	YES
	Becker, Burke - 1 st Qtr Report	Rick Potter	YES
JUNE 14	Baird Advisors	Warren Pierson Jeff Schrom	YES
	Atalanta Sosnoff (VEBA) 2:30	confirmed - speaker will be ??	YES
JULY 12	9:00 - Northern Trust	Bernard Walsh	YES
	1:30 - Hotchkis & Wiley	Pat McMenamin	YES
AUGUST 9	Schroders Investment	Matthew Dobbs	YES
	Becker, Burke - 2 nd Qtr Report	Rick Potter	YES
SEPTEMBER 13	Marvin & Palmer Associates	Tim McAvoy and Porter Schutt	YES
OCTOBER 11	Columbia Management	Alan Puklin & Rich Rosen	YES
NOVEMBER 8	Wentworth Hauser Violich	Jeff Coburn & Reiner Triltsch	YES
	Becker Burke - 3 rd Qtr Report (VEBA)	Rick Potter	YES
DECEMBER 13	Integrity Asset Management	Adam Friedman & Andrea Leistra	YES
	Dodge & Cox (V.E.B.A.) 2:30 pm	Matthew Beck - conf. Call	YES